



The Shape of

Communications  
to Come



# The future doesn't just happen...



## **Leadership in telecommunications**

BCE is Canada's largest telecommunications company.

Its subsidiaries and associated companies, including Bell Canada, provide telecommunications services to some 70 per cent of the Canadian population. Its subsidiary Northern Telecom Limited is a world leader in the manufacture of telecommunications equipment, and Bell-Northern Research Ltd. is Canada's largest research and development establishment. BCE Mobile Communications Inc. provides cellular, paging, radio, mobile data and air-to-ground communications. Bell Canada International Inc. seeks out investments in international telecommunications markets. Tele-Direct companies provide telephone directory services in Canada and overseas.

BCE has the largest number of registered shareholders of any Canadian corporation and its common shares are listed on exchanges in Canada, the United States, Europe and Japan.



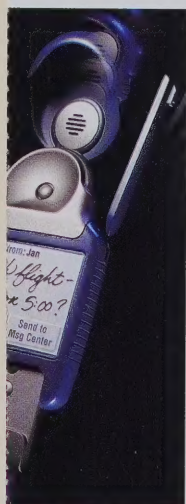


# Annual

# Report 1994

## IN REVIEW

For BCE's princi-  
Canada, Northern  
international,  
Direct.



## 4 CORPORATE FORMATION

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porate directory

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## ANNUAL MEETING ADMISSION TICKET

CRAIG.0JTE5.003

Account No.

417

MRS JANET CRAIG  
2177 LAFAYETTE ST  
VICTORIA BC

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The 1995 annual meeting of the shareholders of BCE Inc. will be held at the Imperial Theatre, 24 King Square South, Saint John, New Brunswick, on Wednesday, May 3, 1995 at 10:30 a.m. (local time).

If you wish to attend, please present this personalized ticket at the entrance; it will facilitate verification of your status as a shareholder.



## IMPORTANT NOTICE QUARTERLY REPORTS — DO YOU WISH TO RECEIVE THEM?

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BCE regularly provides full information to the press the day its quarterly results are announced. For this reason, many of our 225,000 registered shareholders do not wish to receive by mail copies of the subsequent quarterly reports. By mailing these reports only to those shareholders who want them, your Corporation can achieve savings in both paper usage and expense.

To assist us with this program, **please check the box below only if you wish to receive quarterly reports.** Return this card, together with your proxy, in the postage paid envelope provided.

If this card is not returned, we will assume you do not wish to receive these reports; however, you will continue to receive the annual report and associated proxy material.

Social Insurance Number (Canada)  
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(see reverse)

☐ If you wish to receive the BCE Quarterly  
Reports in 1995, please check here.





# The future d h

## **A MESSAGE FROM REVENUE CANADA, TAXATION**

If you receive income from securities, a trust or mutual fund (in the form of dividends, interest, redemption premiums, etc.), the Income Tax Act requires that you give your Social Insurance Number to the person (the issuing company, trustee, or agent) who prepares information slips on your behalf.

Providing your Social Insurance Number will improve the fairness of the tax system because it ensures that investment income is declared at tax time so everyone pays his fair share. Your cooperation helps us process forms more quickly, and provide better and more timely service.

The issuer, trustee or agent is required by law to ask for your Social Insurance Number. If you do not give your Social Insurance Number to authorized individuals when requested, you are liable for a penalty of \$100 for each failure.

If you do not have a Social Insurance Number, please contact your local Canada Employment Centre. As soon as you receive your Social Insurance Number card in the mail, inform the issuer, trustee or agent. In addition, be sure to name the security you hold, and give your full name and address as registered.

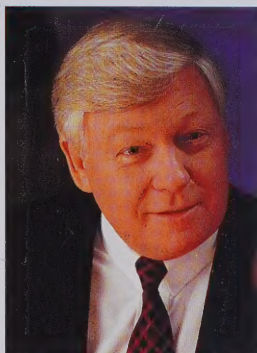
For further information, please call or visit your local district taxation office.



# BCE<sup>®</sup> Annual Report 1994

## 3 MESSAGE TO SHAREHOLDERS

BCE is looking ahead to the new world of telecommunications. Our strategy is to build on the corporate strengths of our component companies and to seize opportunities in expanding markets, in Canada and internationally.



## 8 THE YEAR IN REVIEW

Highlights for the year for BCE's principal subsidiaries: Bell Canada, Northern Telecom, Bell Canada International, BCE Mobile and Tele-Direct.

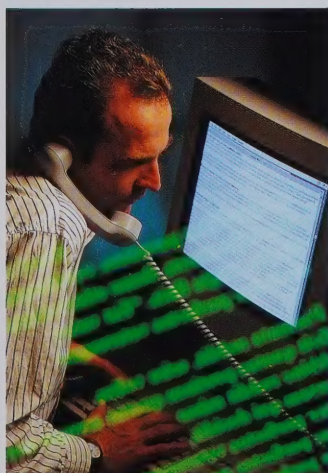
## 12 B C E THE INFORMATION HIGHWAY

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## 22 B N R

Bell-Northern Research's 10,500 employees are shaping tomorrow's telecommunications by developing innovative products that are world leaders in their markets.



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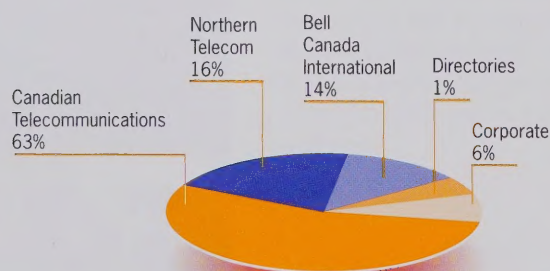


# Financial Highlights

(\$ millions, except per share amounts)

	1994	1993	1992
Revenues	21,670	19,827	19,572
Earnings from continuing operations	1,178	159	1,486
Net earnings (loss)	1,178	(656)	1,390
Net earnings (loss) applicable to common shares	1,086	(750)	1,295
Earnings (loss) per share	3.52	(2.44)	4.21
Consolidated – operating cash flow*	3,869	3,587	4,152
– operating cash flow per share	12.53	11.68	13.50
Dividends declared per common share	2.69	2.65	2.61
Return on average common equity	11.1%	(7.1)%	12.0%

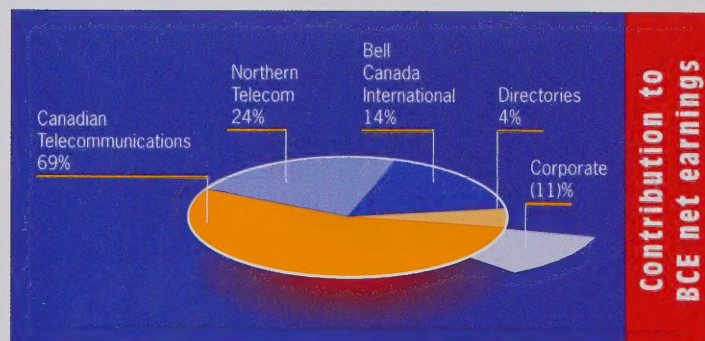
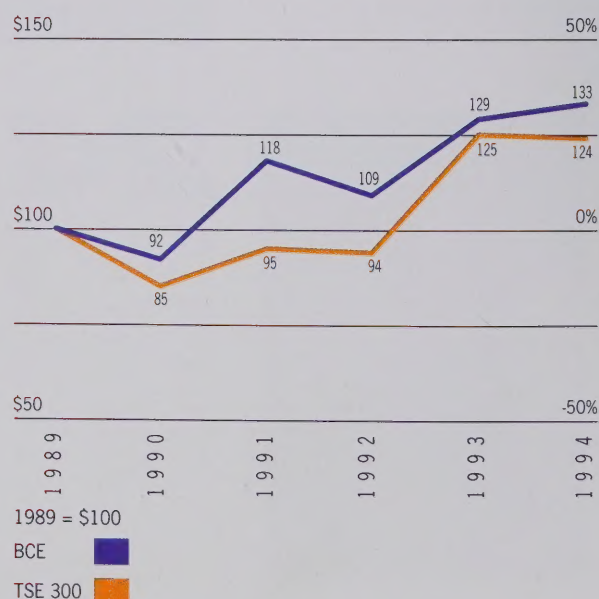
\*Net cash provided by operations before changes in working capital and after payment of preferred dividends.



Investments  
at equity

## SHAREHOLDER TOTAL RETURN

The cumulative five-year return on BCE common shares has exceeded the return on the Toronto Stock Exchange 300 Composite Index, assuming reinvestment of all dividends.



Contribution to  
BCE net earnings



# “Shaping the **Future**”



## Message to shareholders

**1994 marked a year of recovery for BCE. Record revenues of \$21.67 billion produced net earnings of \$1.178 billion, as compared with last year's loss of \$656 million.**

The improved 1994 financial performance was due mainly to better results at Northern Telecom, BCE Mobile and Bell Canada International. Northern Telecom is benefitting from strong growth in international markets and in wireless systems. BCE Mobile had an outstanding year with record growth in cellular markets. BCI's strategy of investing for growth and value creation is reflected in the \$151 million gain recognized on the reduction of its ownership in Bell Cablemedia. Telesat Canada also posted improved results, and effected the dramatic recovery of the Anik E2 satellite.

Bell Canada's contribution to BCE earnings, under pressure from competitive inroads into the long distance market, declined 9.4 per cent in 1994. Bell is responding aggressively and implementing a number of cost control measures, but competition and higher depreciation

expense will generate even more pressure on earnings in 1995 than in 1994.

Since January 1, 1995, Bell Canada has been reorganized into two operating divisions, along local and competitive lines. The new structure is market-oriented, with units accountable for specific results. A new corporate group will develop new technology and services in areas such as multimedia, PCS and advanced intelligent networks. A new management team, headed by John T. McLennan, president and CEO, is leading Bell's transformation in the new information era.



## THE INFORMATION REVOLUTION

We are in the midst of a revolution in communications. BCE companies are shaping the telecommunications of tomorrow.

One aspect of the telecommunications revolution is **convergence** of technology, with computers, telephones and televisions sharing many functions. The telephone system, the terrestrial and space-based broadcast networks, cable television, wireless and data networks are rapidly converging into a single global network of gigantic proportions.

Another key aspect of the new information era is **ubiquity**. The reach of networks, based on both wireline and wireless technology, means that people are increasingly able to – and expect to – communicate by voice, data, image and video anywhere, anytime.

BCE is present in every facet of communications as an operator, whether wired or wireless. BCE is also a world leader in technology, including both manufacturing and systems development. And in 1995, we will enter into the delivery of media service with Expressvu, our satellite-based direct-to-home television service, and MediaLinx, our new media services company. In addition, in 1994 Bell Canada and the other Stentor companies launched The Beacon Initiative to build broadband multimedia capability into their operations.

**Competition**, open markets, deregulation and privatization are fast becoming the ground rules of the new information society.

Governments in Canada and abroad recognize that regulation must be liberalized in order to provide the consumer with the best,

most advanced service at reasonable prices, something only competition can deliver. Competition is a fact in long distance service and wireless communications. It should extend to every facet of the telecommunications industry including broadcast services and cable TV. The consumer, and the Canadian economy, will benefit from better service, leading-edge products and competitive prices.

## CORPORATE STRATEGY

In this communications revolution, BCE's strategic management function involves an active role, mapping out direction and strategy for the group as a whole, indicating priorities and areas where capital and resources should be deployed. A key objective is to foster change in all our companies, to realize opportunities created by change and to take advantage of them, as well as to deal with the challenges that change brings.

The overall strategies being pursued by the group in the new age of telecommunications are:

- **to secure and develop our Canadian base in telecom services**

BCE's subsidiary and associated telecom operating companies, including Bell Canada, provide service to some 70 per cent of the Canadian population. These companies are strong competitors in their respective markets, and their advanced infrastructure and high service standards, combined with attractive rates, command great customer loyalty.

Bell Canada is the keystone of the BCE group, the largest contributor to net earnings. It is a major customer of Northern Telecom, a partner in Bell-Northern Research, and works with other BCE units such as BCE Mobile, BCI and Tele-Direct.

**BCE must be at the forefront of the tremendous changes taking place in the telecommunications industry today.**



# **S**trategic Management

**BCE's Board and executive management set direction for the BCE group as a whole. Business and financial strategy and management selection and development are key responsibilities.**

BCE Mobile, which didn't exist ten years ago, today has 815,000 wireless subscribers, including cellular, paging and data. BCE Mobile projects growth of 35 per cent a year in the number of wireless subscribers as prices continue to decline and new services are introduced. By the end of 1995, the government of Canada will have awarded licenses for new PCS services in the two gigaHertz range, and BCE intends to participate in this segment of the business.

Northern Telecom and Bell-Northern Research are world leaders in developing and marketing the technology that supports the communications revolution.

TMI Communications' MSAT satellite will bring mobile communications to all of Canada, even those areas that the existing cellular system doesn't reach. Network service will begin in late 1995.

Expressvu Inc., the direct-to-home broadcaster in which BCE is a partner, will begin beaming some 100 television and radio channels from Telesat's Anik E2 satellite to Canadian homes by Labour Day 1995.

The advance of Canada's information highway depends not only on the efforts of BCE companies, but also on the regulatory framework and on government policy. The September 1994 framework decision by the CRTC was an important step in recognizing the primacy of market forces in shaping the system that Canadians require.

We look forward to an early response by the CRTC to the decision by the federal government to have the CRTC review its September 1994 rate rebalancing proposals. BCE will continue to take an active role in deliberations concerning the development of the policy and regulatory environment in Canada.

## **• to extend BCE's capability into multimedia services**

BCE companies are shaping the future of multimedia. As part of The Beacon Initiative, Bell Canada will bring multimedia capability to Canadian homes, schools and workplaces, based on optical fiber transmission and powerful ATM switches.

The advent of interactive multimedia infrastructure will create an enormous demand for content and services, everything from entertainment to shopping, educational, health care and government services. During 1994, BCE and eight other Canadian telecommunications companies set up MediaLinx Interactive Inc., which will develop multimedia applications in these areas.

## **• to continue to invest in network and multimedia opportunities in selected international markets**

Operations outside Canada not only offer new sources of revenue in rapidly growing markets, they also permit BCE to participate in businesses not permitted by current regulation in Canada. Our goal is to deploy the know-how and technology of BCE companies in markets where we can profitably invest. Bell Canada International operates and pursues joint ventures and strategic alliances in the United Kingdom, the United States, Colombia and New Zealand.



During 1994, Bell Canada International acquired a fully diluted 30-per-cent interest in Jones Intercable of Englewood, Colorado, one of the 10 largest U.S. cable television operators. A Jones affiliate, The Education Network, offers the most innovative distance education programming in the U.S. Jones is also a leader in "full service" optical fiber networks offering high-quality video as well as cable telephone and high-speed access to networks such as Internet.

Bell Cablemedia, which combines the U.K. cable TV and associated telephony interests of BCE, Jones and Cable and Wireless plc, launched a successful initial public equity offering and is now listed on the Nasdaq exchange in the U.S. The offering of equity and debt raised gross proceeds of some US \$479 million that will be used to fund Bell Cablemedia's construction programs in the U.K. The fast-growing U.K. market has great potential, and serves as a test bed for cable-based technologies and techniques we will one day be able to apply in Canada.

BCI also acquired a 51-per-cent interest in Comcel, which began offering cellular service in July 1994 to the region around Bogotá, Colombia.

## CORPORATE GOVERNANCE

BCE continues to benefit from an effective working relationship between its Board of Directors and its management. Accountability is extremely important to effective corporate governance. Other than Mr. J.V.R. Cyr and myself, all BCE directors are unrelated and independent.

This year, six directors are retiring, to be replaced by four new directors, bringing the new Board to 12. We believe that a smaller board enhances effectiveness and accountability.

The retirees are J.V. Raymond Cyr, formerly BCE's chairman of the board, who began his distinguished career with Bell Canada some 37 years ago; Peter Allen, formerly chairman and CEO of Lac Minerals Ltd, a director since 1988 and a member of the Audit Committee; C. William Daniel, former president and CEO of Shell Canada Limited, a director since 1983 and a member of the Management Resources and Nominating Committee; E. Neil McKelvey, counsel to the law firm of Stewart McKelvey Stirling Scales, a director since 1983 and a director of Bell Canada prior to that, and a member of the

Audit Committee; Alastair H. Ross, president of Allaro Resources Ltd., a director since 1985 and a member of the Audit Committee; and C. Richard Sharpe, chairman of the board of Sears Canada Inc., a director since 1988

and a member of the Management Resources and Nominating Committee.

These are all men of exceptional achievement and the Board will miss their wise counsel and judgement. They have served the shareholders extremely well.

## DIVIDEND POLICY

In November, the Board of Directors increased the 1995 indicated annual dividend to \$2.72, an increase of \$0.04 over 1994. During 1995, we intend to review our dividend policy in light of widespread changes in the telecommunications industry, which are creating growth opportunities for investment in new technologies and in new businesses.

## BCE IN THE COMMUNITY

BCE companies are established and active members of the communities in which they operate.

# People

### • to continue to invest in technology and systems, and in product development

BCE's competitive advantage is our know-how. We are a technology-oriented company, with hands-on experience in a number of the world's most advanced telecommunications markets.

Bell Canada alone invested \$1.6 billion in new plant and equipment this year. Over the years, a high level of investment in telecom infrastructure has provided Canada with advanced services such as virtual private networks, frame relay and SmartTouch services at favourable costs.

BCE also invested \$1.6 billion in research and development, primarily at Bell-Northern Research and Northern Telecom. In today's fiercely competitive market, BCE will continue to invest aggressively in R&D.



Bell Canada, for example, is consistently one of the most-admired companies in Canada, on the basis not only of excellent service to customers but also of its employee and community programs.

In terms of charitable donations, Bell Canada, Northern Telecom and our other Canadian subsidiaries disbursed a total of \$5.6 million in 1994.

We also contribute to the community through our taxes. In 1994 BCE companies paid a total of some \$1.4 billion in corporate taxes to Canadian federal, provincial and municipal governments.

BCE employees take pride in the reputation of their corporation, and a substantial portion of our employees are also BCE shareholders.

## HUMAN RESOURCES

One of the distinguishing characteristics of BCE is the dedication and excellence of our employees, whose achievements are responsible for the company's success.

In the past year, there have been a number of changes in senior management. At BCE, Ronald W. Osborne was appointed, effective January 21, 1995, executive vice-president and chief financial officer. Mr. Osborne, an accountant by profession, was formerly president and chief executive officer of Maclean Hunter Ltd., a diversified communications company.

At Bell Canada, three executives joined John T. McLennan, president and CEO, and Louis A. Tanguay, the president and CEO of the new local services division and senior Bell officer in Quebec, on the leadership team announced on November 14. Ian D. McElroy, formerly president and CEO of BCE Mobile Communications was appointed president and CEO of the new competitive services division and senior Bell officer in Ontario; John A. MacDonald, formerly president and CEO of The New Brunswick Telephone Company, was appointed executive vice-president – business development and chief technology officer; and Gerald T. McGoe, formerly executive vice-president and chief financial officer at BCE, was appointed Bell's chief corporate officer.

At BCE Mobile, Robert A. Ferchat was appointed chairman, president and CEO, effective November 14. Mr. Ferchat, who has held several senior executive positions at Northern Telecom, was previously chairman, president and CEO of TMI Communications, a BCE company.

Mr. Ferchat was replaced as president and CEO of TMI Communications by John H. Farrell, previously chairman and CEO, Northern Telephone.

Robert Kearney, who had been chairman of the BCE Canadian Telecom group following his retirement as president of Bell Canada, has been appointed deputy chairman, Bell Canada International Management Limited, London, England. Mr. Kearney will lead the U.K. BCI management team supporting Mercury Communications and Bell Cablemedia as they continue to grow and compete in the dynamic U.K. telecommunications market.

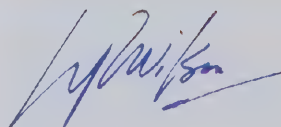
On December 31, 1994, Guy Houle retired as vice-president and corporate secretary, after some 28 years with Bell Canada and BCE. He was appointed corporate secretary of Bell Canada in 1980 and of BCE in 1983, posts he filled with great distinction.

Josef J. Fridman, senior vice-president, law, has assumed the position of corporate secretary in addition to his other responsibilities.

## VISION FOR THE FUTURE

The telecommunications industry is exploding with opportunity. BCE has aligned our family of companies to seize these opportunities and to realize the full potential of the information highway. Our strengths in mobile communications, broadband technologies, service excellence and R&D provide BCE with a unique opportunity to shape the future of telecommunications.

The following pages of the 1994 annual report describe the activities and strengths that drive our overall management strategy. From wireless to interactive networks to multimedia services, BCE has all the necessary resources to participate fully in the information age in Canada and abroad.



**L.R. Wilson**  
Chairman, President and  
Chief Executive Officer

February 22, 1995





# The Year in Review

## Principal Subsidiaries



Bell Canada is Canada's largest telecom, serving more than seven million business and residence customers in Ontario and Quebec.

- The bold new logo signals Bell Canada's even greater emphasis on customer focus.
- Bell is taking the competition head-on with **Real Plus** long distance savings plan for residence customers, value-added services and high service standards that win customer loyalty.

• **Bell Canada and other Stentor companies launched The Beacon Initiative, to bring broadband multimedia services to Canadian homes and workplaces.**

• **Bell has increased and will continue to increase productivity through cost-reduction programs, investment in technology and improved management processes.**

• CANADA'S IMPROVING ECONOMY AND \$105 MILLION IN INCREASED REVENUES FROM OPTIONAL SERVICES SUCH AS SMARTTOUCH SERVICES HELPED GENERATE GROWTH IN LOCAL REVENUES.

• **Following the announcement of major changes in industry structure and regulation, Bell is transforming itself for the new information era through a major three-year plan now being developed.**

- Advantage Preferred service cuts long distance expenses for businesses, and Advantage Preferred Entry service extends savings to smaller businesses.

(\$ in millions except per share amounts)	1994	1993
Revenues	8,066	7,957
Operating cash flow	2,581	2,524
Contribution to BCE earnings per share	2.33	2.59
Network access services (thousands)	9,727	9,462
Toll conversation minutes (millions)	10,470	10,420

- Bell's new QuickChange "smart card" payphone pass substitutes for coins at Millennium phones in Quebec, while the Hello! phone pass, designed for travellers, permits prepaid long distance calls from any telephone.



*John T. McLennan*

**John T. McLennan**

President and  
Chief Executive Officer

**Bell Canada highlights**  
(consolidated)



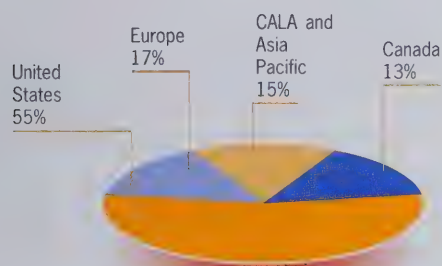


Northern Telecom is a leading global manufacturer of telecommunications equipment and networks.

• Northern Telecom is a strong competitor in the fast-growing wireless network market, with multi-million dollar agreements in Taiwan, Mexico, Colombia, Israel and the U.K.

• MAJOR ORDERS OF PERSONAL COMMUNICATIONS SERVICES

(PCS) NETWORKS WERE PLACED BY MERCURY ONE2ONE IN THE U.K., BOUYGUES TELECOM IN FRANCE, SINGAPORE TELECOM MOBILELINK, OMNIPOINT CORPORATION IN NEW YORK AND TELEZONE CORPORATION IN CANADA.



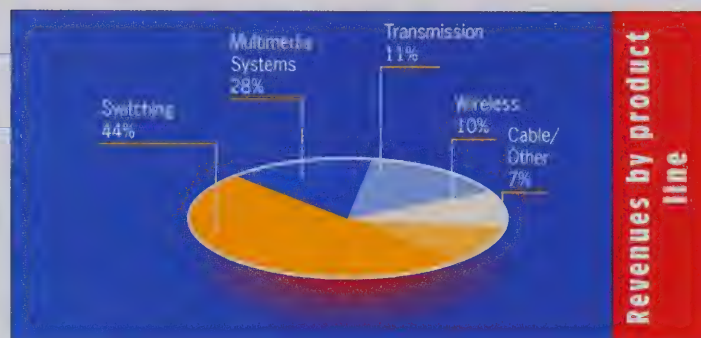
Revenues by geographic area (location of customer)



• In China, Northern Telecom launched a five-year, US \$130-million investment program and announced three more manufacturing joint ventures, while BNR opened an R&D centre in Beijing.

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• In the U.S., Sprint Corporation signed a several-hundred-million dollar agreement for equipment for local and long distance operations through 1996.



Revenues by product line

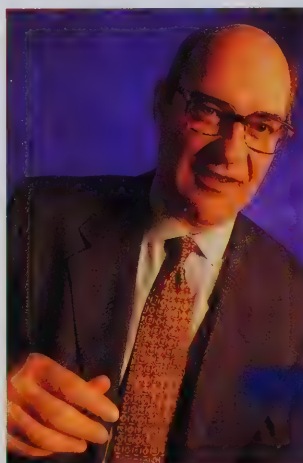
• Magellan Passport ATM switching equipment for multimedia networks was a top choice worldwide in the emerging broadband market.

• Europe's 1000th Companion cordless system went into service, in Belgium.

(US \$ in millions except per share amounts)

	1994	1993
Revenues	8,874	8,148
Operating cash flow	727	493
Contribution to BCE earnings		
per share	Cdn \$0.94	Cdn \$(1.90)
R&D investment	1,156	1,040

Northern Telecom highlights



*J. Monty*

Jean C. Monty

President and  
Chief Executive Officer





## BELL CANADA INTERNATIONAL

BCI seeks out opportunities in international telecommunications markets that provide a synergy with BCE's other telecommunications activities.

- BCI merged its British cable TV and associated telephony interests with Jones Intercable, Cable & Wireless and others to create Bell Cablemedia plc, the third-largest cable/phone operator in the U.K. in terms of equity homes. Bell Cablemedia also completed a public offering of equity and notes in the U.S. and internationally for gross proceeds of US \$479 million.
- BCI's 1994 earnings reflect a gain of \$151 million on the reduction of its ownership in Bell Cablemedia.

### Bell Canada International Inc.

(\$ in millions except per share amounts)

	1994	1993
Revenues	138	138
Contribution to BCE earnings per share	0.52	0.19



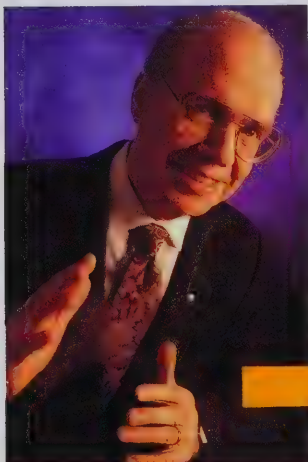
- BCI ACQUIRED A 30% INTEREST (FULLY DILUTED) IN JONES INTERCABLE, INC., ONE OF THE LARGEST CABLE TELEVISION OPERATORS IN THE U.S., FOR US \$259 MILLION. BCI ALSO PURCHASED AN

OPTION ENABLING IT TO ACQUIRE A CONTROLLING INTEREST IN JONES INTERCABLE, EXERCISABLE IN THE FUTURE.

- BCI's Colombian cellular subsidiary, Comcel, 51% owned, launched service in July in the eastern region, which includes Bogotá; Northern Telecom is supplying the equipment. By year-end, Comcel had 18,500 subscribers.

- Mercury Communications Ltd., 20% owned, will streamline operations. Customer line growth was 50%, minutes carried grew 21%.

- A new Hong Kong office will identify growth opportunities in China.



*Derek H. Burney*

**Derek H. Burney**

Chairman, President and  
Chief Executive Officer

## BCE MOBILE

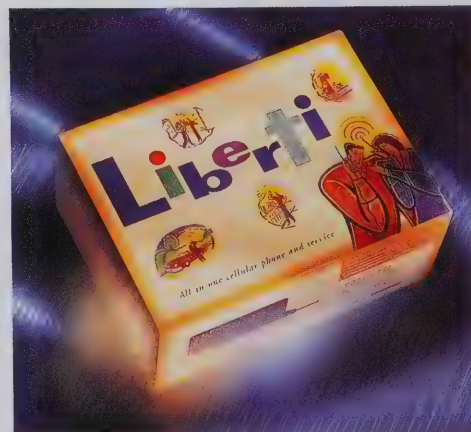
BCE Mobile Communications, operating under the Bell Mobility banner, is the Canadian leader in mobile communications. BCE Mobile is 65.4% owned by BCE.

- 1994 was BCE Mobile's best year ever, with revenues up 24% and earnings up \$33 million to \$37 million.

- **Cellular subscribers increased 41%, to 592,000.**

- **Revenues from cellular, paging, data and airline passenger communications all improved.**

- A CRTC DECISION REDUCING REGULATION OF CELLULAR OPERATORS WILL ENHANCE BELL MOBILITY'S ABILITY TO OFFER NEW PRODUCTS AND SERVICES.



**The Liberti cellular phone and service package, introduced in 1994, is Canada's best value in cellular service.**



- Bell Mobility Ardis launched the world's first two-way paging service.

- Bell Mobility Skytel's new service permits Air Canada passengers to telephone and receive calls from anywhere around the globe.

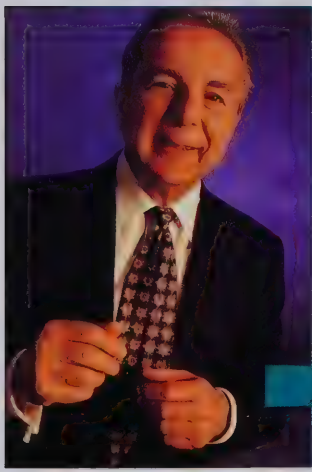
- BCE MOBILE IS INCREASING ITS COMMITMENT TO THE IRIDIUM COMMUNICATIONS SATELLITE PROJECT, WHICH WILL OFFER GLOBAL WIRELESS COMMUNICATIONS STARTING IN 1998.

- BCE Mobile will market MSAT satellite network services.

**BCE Mobile highlights**  
*(consolidated)*

(\$ in millions except per share amounts)

	1994	1993
Revenues	636	512
Operating cash flow	184	135
Contribution to BCE earnings per share	0.07	0.00
Cellular telephone customers	592,000	421,000
Pagers in service	220,000	181,000



*Robert A. Ferchat*  
**Robert A. Ferchat**  
Chairman, President and Chief Executive Officer



The Tele-Direct group of companies publishes telephone directories in Canada and, under joint ventures, in the Middle East, India, the Caribbean and Hong Kong.

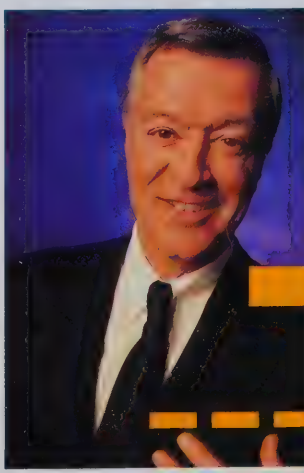
1994 international revenues increased 45% while Canadian revenues declined some 3% over 1993 due to continuing competition for the local and national advertising dollar.

- In 1994, Tele-Direct had some 300,000 Yellow Pages advertisers in 107 directories and 229 Yellow Pages sections across Canada.

- In 1994, Tele-Direct and Hongkong Telecom CSL formed a joint venture to provide directories for Hong Kong.

- In LONDON, ONTARIO, TELE-DIRECT LAUNCHED A TEST OF TELEPHONE DIRECTORY AND INFORMATION SERVICES USING NORTHERN TELECOM'S VOICE-RECOGNITION TECHNOLOGY.

- The Tele-Direct group of companies is now well-positioned both domestically and internationally to improve earnings in 1995.



*Thomas J. Bourke*  
**Thomas J. Bourke**  
President and Chief Executive Officer



# Highway

# Information



BELL CANADA



STENTOR



SEACOM



NORTHERN TELECOM

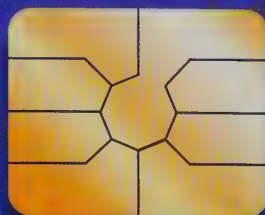


MEDIALINK

What do you think of when you hear about the information highway? Do you think of telephones, computers, movies and TV? The information highway is that ... and much more.

The information highway is a national electronic thoroughfare capable of carrying voice, text, data, graphics and video communications to and from all Canadians, and eventually around the world. It is a network of networks, linking businesses, banks, government agencies, schools, hospitals and ordinary people in their homes.

The information highway may lessen barriers of time and space even more than the automobile and the telephone.



At the office, interactive multimedia will bring tele-conferencing on your desktop computer screen and instant transfer of charts, photos and videos between your desk and virtually anywhere on the information highway. Businesses will operate more efficiently at more flexible hours, and you may choose to work directly from your home or from a convenient satellite office. Small businesses will have global reach, through access to the same electronic support services as big corporations.



The information highway  
will change the way we live  
and learn, and the way we  
work and play.

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# OUR WORLD

At the heart of the highway is convergence. The characteristics of the television, the computer and the telephone are merging into one, all-encompassing technology. You will talk to your television, watch movies on the computer and use your telephone screen as a banking machine.

THE  
**BEACON**  
INITIATIVE

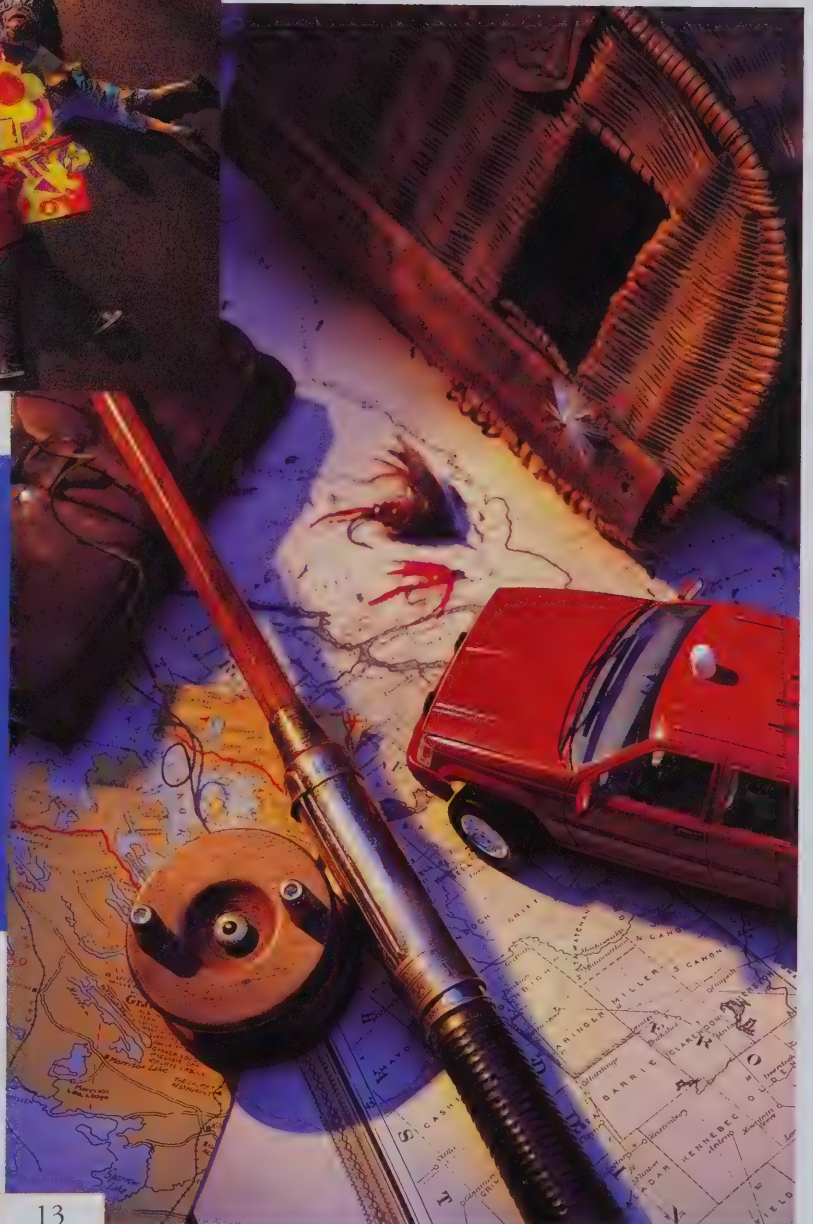
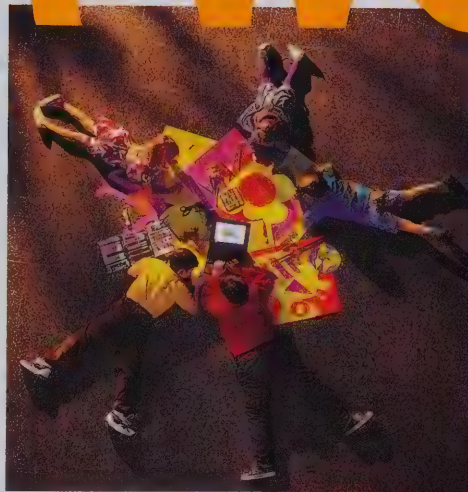
Bell Canada and other Stentor telecom services companies have undertaken to

- bring multimedia services to offices and homes, over the public telephone network.
- upgrade local networks so they can provide broadband multimedia services.
- upgrade regional and national networks to ensure seamless connectivity among all telecoms.

BCE and eight other Canadian telecommunications companies have also set up MediaLinx Interactive Inc., to develop and market both content and service applications for the broadband network.

Tomorrow, multimedia applications will make our lives more enjoyable by making many everyday tasks easier. We will renew licences, shop for routine items and handle financial matters at easily accessible kiosks, or even from our homes.

The information highway will shape our world. But we will make the new networks fit our individual needs.





SHAPING...

## WIRED

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Only a decade ago, telephones, like houses, had street addresses. You called a place where you hoped to find the person you wanted to talk to. Cellular phones changed that. They gave us mobility. You no longer have to call a location, you can call a person, who can answer the call in a car, a plane or walking down the street.



Wireless  
 means:  
 whoever,  
 wherever,  
 whenever

DIGITAL TECHNOLOGY WILL DRAMATICALLY IMPROVE THE REACH OF THE CELLULAR NETWORK, INCREASING CAPACITY, SPEED AND BUILDING PENETRATION. WITH TOMORROW'S DIGITAL WIRELESS TECHNOLOGIES, INCLUDING WIRELESS SERVICES IN THE TWO GIGAHERTZ RANGE, YOU WILL BE ABLE TO SEND NOT ONLY VOICE, FAX AND DATA, BUT EVENTUALLY IMAGES AND VIDEO — FROM ANYWHERE, TO ANYWHERE IN THE WORLD.



BCE Mobile offers Canadians a complete range of mobile services, including cellular service, under the Bell Mobility banner. Bell Mobility is also Canada's largest provider of paging and mobile packet data services and offers the country's only airline passenger telephone and data service. Through Mobility Canada and the North American MobiLink association, Bell Mobility Cellular customers can easily use their telephones across Canada and the United States.

BCE MOBILE MOBILITY CANADA





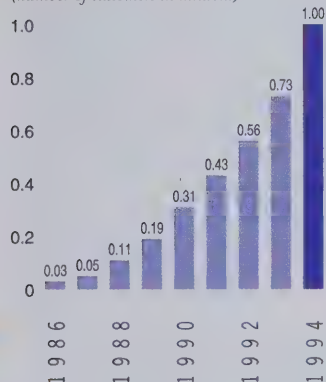
# ESS

Satellites are another powerful wireless communications tool. In 1995, the marketing of services for the MSAT network will begin. The MSAT satellite will be stationary 36,000 km above the equator. The MSAT network, owned by BCE's TMI Communications, will bring wireless voice, fax and computer data to virtually every square inch of Canada.

Wireless communication has been one of the fastest-growing segments of the Canadian communications industry and wireless is Northern Telecom's fastest-growing market segment.

## Mobility Canada Cellular Growth

(number of customers in millions)



The convergence of telephones, computers and television will include wireless communications. A few years from now, personal communications services (PCS) sets will integrate fax machines, pagers and cellular telephones.

PCS is the next frontier of wireless communications seamlessly interconnected to the wireline network. Voice, data, fax and video will be delivered to customers over the least-cost, highest-quality

network route, whether wireless or wireline, wherever that customer is located.

Northern Telecom's wireless products bring standard telephone services, payphones, data, fax and mobile communications to places without wire-based facilities. From construction sites to remote mining camps, these products improve productivity, safety and the quality of life.

PAGERS ARE INCREASINGLY POPULAR FOR PERSONAL USE, SUCH AS KEEPING IN CONTACT WITH CHILDREN.



**BNR and Northern Telecom are world leaders in the development and implementation of PCS technology.**

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# SHAPING... Interactive Network



**Interactive networks are the pathways of the information highway. Information will pass over them at the speed of light, relaying words, sounds and pictures anywhere.**

**Interactive networks will be ubiquitous, giving everybody, anywhere, access to information.**

Today, Canada has one of the best digital optical fiber networks in the world. Tomorrow, demand for bandwidth will take a quantum leap. Bandwidth-intensive, interactive multimedia services will generate profound changes in network architecture and a dramatic increase in network intelligence. Interactive networks will be flexible, evolving to meet the needs both of the individual at home and the workplace.

Bell Canada and other Stentor companies are leading the way in imaginative and highly practical services based on powerful networks. For example, three different medical networks in Ontario and Quebec are testing transmission of documents and images. Medical files, including x-rays and videos, can be instantly and securely transmitted, while video conferencing permits consultations with specialists anywhere.



**Bell Canada's new QuickChange pay-phone pass is a "smart card" that substitutes for coins when you make a call. Future evolution of "smart card" technology may permit you to access your bank's network and transfer funds to your cashless "electronic purse" right from your telephone.**

**transfer funds to your cashless "electronic purse" right from your telephone.**

Networks will interconnect seamlessly around the world. Industry-wide open standards will permit you to communicate anywhere, without thinking about differences in equipment manufacturers or national network protocols. This seamless world network will consist of many networks, each evolving according to specific needs and advances in technology.

Bell Sygma Inc. is a major provider of systems and network management services in Canada and is a leader in integrating computing and communications worldwide.



S

BCE companies are developing the key technologies and services for the information highway, in Canada and worldwide. Northern Telecom and its R&D subsidiary, Bell-Northern Research, are developing and testing the elements of tomorrow's telecommunications infrastructure. Northern Telecom's equipment is the backbone of Canada's telecommunications infrastructure.

NETWORKS THAT ARE VIRTUAL CLASSROOMS WILL PERMIT STUDENTS TO LEARN, EXPLORE AND EXPERIMENT. THEY'LL BE ABLE TO "VISIT" OTHER COUNTRIES, "BROWSE" THROUGH LIBRARIES AND TALK TO CHILDREN IN OTHER COUNTRIES. EDUCATION NETWORKS ALREADY LINK UNIVERSITIES, RESEARCH INSTITUTIONS AND SCHOOLS, SUCH AS THE SCHOOLNET LINKING 4,500 SCHOOLS ACROSS CANADA.



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**T**hese networks will be accessible anywhere: from home, office, car, vacation spot, or just walking down the street. The intelligence of the network will determine which technology – wireless, wired or satellite – is applied to reach your particular communications solution.

Future interactive banking kiosks may well offer private, face-to-face meetings with your bank officer, so you no longer cross town to discuss your finances. At home, you'll transact banking business on the screen of your telephone, computer or television.







**Multimedia is the seamless merging of all forms of communications: voice, images, text and full-motion video.**

Multimedia distance education will expand the reach of classrooms and transform on-the-job training, while artificial intelligence applications will permit personalized tutoring for children or adults, anytime and anywhere.

We will navigate the multimedia highway using an artificial intelligence application called a "smart agent." This tool will enable us to choose what each of us wants to watch, learn or visit on the computer, television and communications networks. Smart agents will help us to deal with enormous amounts of information and content, at work and at home, by placing them into context.

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**In 1994, BCE and eight other Canadian telecommunications companies set up Medialinx Interactive Inc. to develop and market content and service applications for multimedia communications, working in partnership with companies in Canada's fast-developing multimedia industry.**



WorldLink Telecommunications Inc., a Stentor affiliate, markets software and brings practical know-how to networking for businesses of all sizes, from basement offices to large corporations, in Canada and internationally.

**WORLDLINK**

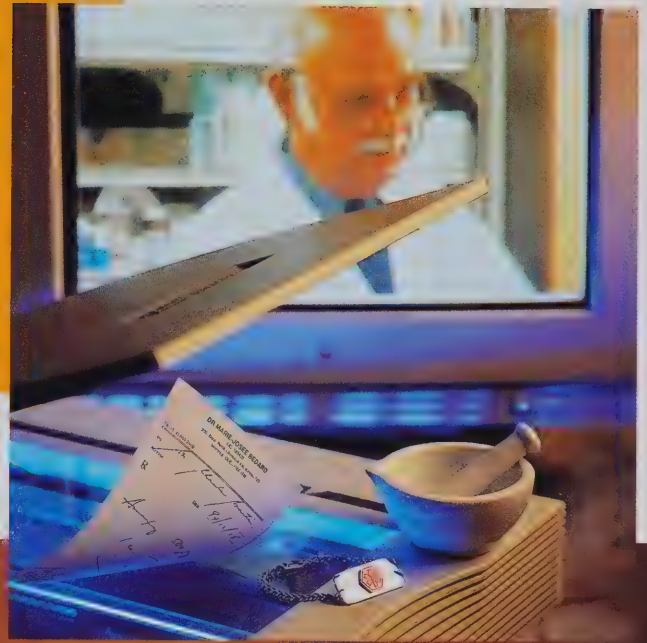
**MEDIALINX**

**SHAPING**

**MULTI**



PHARMA PHONE KIOSKS PERMIT PEOPLE TO SEE AND TALK WITH A PHARMACIST AND HAVE PRESCRIPTIONS FILLED, OVER THE TELECOM NETWORK. ORDERS ARE DELIVERED BY COURIER. PHARMA PHONE WAS DEVELOPED BY MEDITRUST PHARMACY INC. USING TECHNOLOGY FROM NEW BRUNSWICK TELEPHONE AND NORTHERN TELECOM.



COURTS LINKED BY BROADBAND NETWORKS MEAN THAT LAWYERS, WITNESSES AND OTHERS INVOLVED IN COURT CASES CAN PARTICIPATE WITHOUT TRAVELLING, SAVING TIME AND MONEY AS WELL AS IMPROVING SECURITY.

BELL CANADA NBTEL NORTHERN TELECOM

Tomorrow, the many applications of broadband multimedia will expand our horizons, improve our lives, facilitate everyday tasks, and permit us to stay in closer touch with friends and relatives.

Once The Beacon Initiative's powerful new information highway infrastructure is in place, our homes, offices and schools will be linked by interactive multimedia communications.



MEDIA



# SHAPING Today and Tomorrow

**Today, BCE is building key elements of Canada's rapidly growing information highway: a powerful digital, optical fiber-based network infrastructure, both wireline and wireless; world leadership in research and development; operating companies committed to bringing broadband multimedia to Canadians.**

Our televisions and computers will be gateways to a vast world of interactive communications, information, entertainment, education, shopping and more.

Multimedia services, offered over the networks of Bell Canada and other Stentor companies, will within a few years bring enormous changes to the way we go about our daily lives.

CANADA, MORE THAN ANY PLACE ON THE PLANET, IS READY FOR THE TELECOMMUNICATIONS REVOLUTION. 99% OF HOMES HAVE AT LEAST ONE TELEPHONE. MORE THAN 98% OF CANADIANS HAVE COLOUR TELEVISION, 74% HAVE CABLE TV AND A QUARTER HAVE HOME COMPUTERS, A THIRD CONNECTED TO THE TELECOM NETWORK THROUGH MODEMS. PENETRATION OF MOBILE PHONES IS AMONG THE WORLD'S HIGHEST.



This Canadian ease with communications is supported by one of the world's most advanced telecommunications infrastructures, led by Bell Canada, which provides nearly 60% of Canada's telephone lines. The entire long distance network is digitally switched, and by the end of 1995, 99% of Bell's local network will be digital.



NEW NORTH MEDIA



# rrow

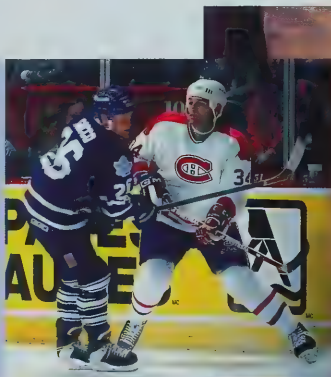


**Expressvu Inc.,**

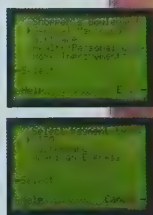
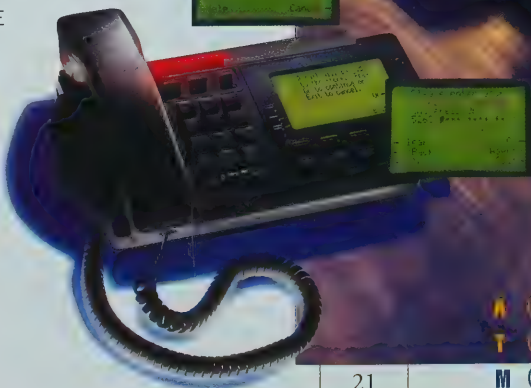
the direct-to-home broadcaster of which BCE is a founding member, will begin beaming some 100 television and radio services to Canadian homes by Labour Day 1995, over Telesat Canada's Anik E2 satellite. Expressvu will open up opportunities for Canadian content providers that can be applied to tomorrow's interactive multimedia communications.

BCE's technology, led by Bell-Northern Research and Northern Telecom, gives us the competitive advantage in creating an information highway built to the measure of our vast country. Bell Canada and the other Stentor companies, working in partnership with BCE Mobile and Mobility Canada, will bring the information highway to everyone, no matter where, no matter when.

**Interactive kiosks will enable people to do everything from renewing their driving and fishing licences, to buying hockey tickets, to getting travel and tourist information.**



THE VISTA 350 FROM NORTHERN TELECOM DELIVERS NEW NORTH MEDIA'S SCREEN-BASED CALLMALL SERVICES TO NEW BRUNSWICK TELEPHONE CUSTOMERS. THE CALLMALL ELECTRONIC MARKETPLACE PROVIDES 24-HOUR INTERACTIVE ACCESS TO STORES, CATALOGUES, BANKS AND FINANCIAL INSTITUTIONS, NEWS AND WEATHER UPDATES.



# Where does it all Start?

The future map of the information highway will depend on where customers want to go. Superhighways were not built before drivers needed them. Drivers created the demand, not the road engineers and traffic statisticians.



In 1994, B.N. Telecom's total of \$1.4 billion in revenue was up from \$1.1 billion in 1993. A large portion of B.N. Telecom's revenue was generated by its Northern Telecom division, which in 1994 reported a \$1.1 billion in revenue, up from \$1.0 billion in 1993. B.N. Telecom's revenue in 1994 was up from \$1.1 billion in 1993. B.N. Telecom's revenue in 1994 was up from \$1.1 billion in 1993.

Monday, Nov. 30 11:32 am  
345 78 George wants to see you as  
50011 345 78 from a private



# Shaping...*new* Products and Services

Bell-Northern Research is Canada's largest research and development organization, and is one of the world's largest telecommunications R&D organizations.

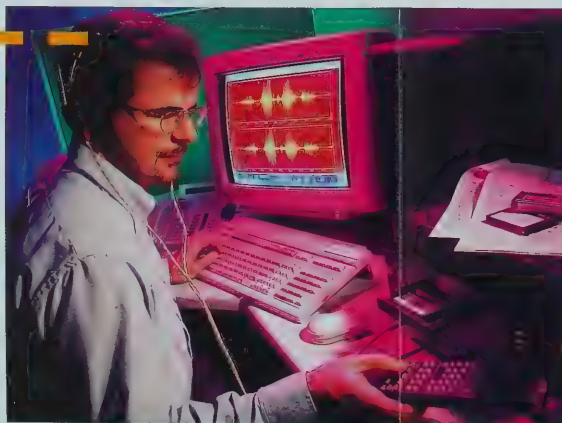
## 10,500 Innovative Thinkers

With headquarters in Nepean, near Ottawa, BNR has laboratories around the globe. BNR's more than 10,500 employees include graphic artists, designers, sociologists, psychologists and writers as well as software designers and engineers.

## Talk to your phone

Researchers are working on speech recognition technology that may one day replace telephone keypads and computer keyboards – and eventually permit instantaneous interpretation between callers speaking different languages. BNR research is based on the individual building blocks of language, called phonemes.

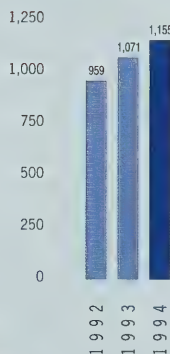
BNR is an incubator for the Canadian high-technology industry. Its high concentration of talent has helped make the Ottawa valley Canada's own "Silicon Valley North". More than 40 Canadian high-tech companies are offshoots of BNR, extending its influence far beyond its own corporate boundaries.



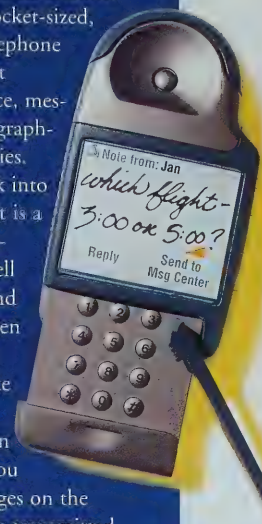
**It all fits together**  
BNR researchers must calculate how new products fit in with other products already on the market, including those made by other manufacturers. BNR is a leading contributor in developing worldwide industry standards, so that every product operates perfectly in a collaborative, multivendor environment.

## Bell-Northern Research Worldwide R&D expenditures

(US \$ in millions)



The new BNR-developed Orbitor personal communicator is a pocket-sized, portable telephone concept that delivers voice, messaging and graphics capabilities. You can talk into it, because it is a wireless telephone as well as receive and record written and spoken messages like a pager. A small clip-on stylus lets you write messages on the screen, to be transmitted with a tap on the "send" button.



## An intuitive personal communications device.

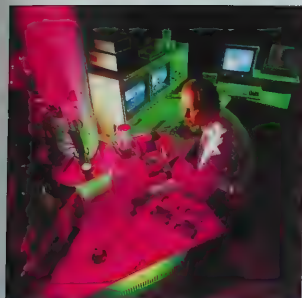
The Orbitor builds on Northern Telecom's highly successful Companion wireless system, with its lightweight portable phone. A BNR Corporate Design team, composed of people trained in industrial design, psychology, behavioural science, ergonomics and market research, worked with many potential Orbitor users – both residential and business – to determine what they value in a portable telephone.

## Breaking speed limits on the info highway

BNR's new integrated circuit HBT (heterojunction bipolar transistor) is a key technology in raising the transmission capabilities of an optical fiber network to the 10 gigabit range, four times maximum present-day capacity. Tomorrow's interactive multimedia networks will transmit information at 100 gigabits – and beyond.







## Corwan is up around the clock

BNR's offices and laboratories are linked over the world's largest corporate network, Corwan, 24 hours a day. While researchers in Canada sleep, software designers in India log on to the Ottawa computers and testing facilities to continue product development.

BNR's priority areas of research:

- Integrated fiber-optic networks
- Advanced intelligent networks
- Multimedia communications
- Wireless personal communications systems

**BNR has a primary role in development of major products used by telecoms in 90 countries**

# Innovation in core technologies

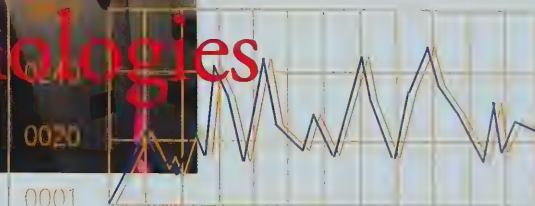
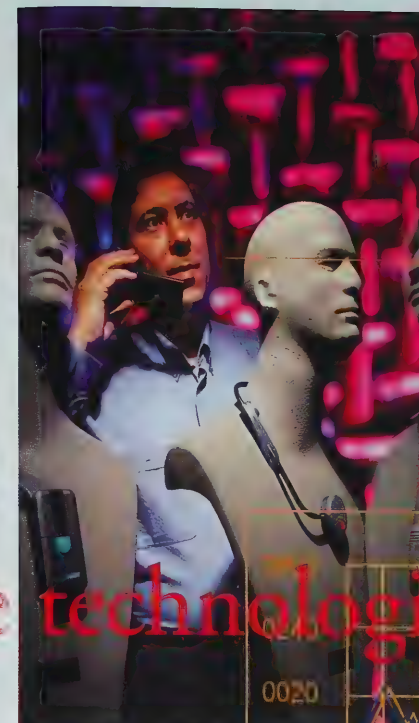
The BNR/Northern Telecom corporate networks support more than 115 video conferencing rooms worldwide, which are in almost continuous use as members of world-spanning teams consult with each other. Engineers in Guangzhou, China, and Maidenhead, England, work face-to-face with colleagues in Canada.

More than half of BNR's research is performed in Canada. But facilities are also located in the United States, the United Kingdom, Australia, Japan and China, while colleagues work at smaller sites around the world. This permits BNR to develop equipment suited to local customer needs, whether in London or Beijing. Today, some 70% of the world telecommunications market is outside North America.

## The future is now

BNR develops products and advanced network services that are used by millions of people around the globe. These products must be rugged and absolutely reliable. They must be easy and intuitive to use.

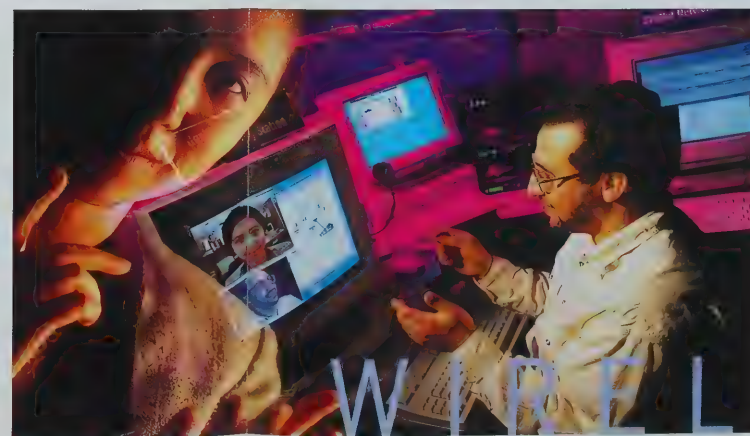
Inside BNR's anechoic (no echo) chamber, researchers test prototype handsets and headsets to measure just how well the head and torso simulator "hears" and "speaks". Later, real people will test the equipment.



## COBRAnet TESTS THE FUTURE

Tomorrow's workplace will use broadband multimedia for applications such as video-on-demand and desktop multimedia conferencing. BNR's newly installed COBRAnet (COrporate BRoadband Applications network) testbed provides an opportunity to examine how this technology will work.

BNR works with universities and other research institutions worldwide, to foster advanced research in key technologies. BNR encourages young people to study science and engineering by offering part-time jobs and mentoring programs for students. In 1994, BNR hired some 700 recent university graduates worldwide.



# WIRELESS



# Ideas are only the

# Beginning..

As the information highway is built, the R&D teams of Bell-Northern Research are working in close partnership with customers to determine what is needed, when it is required and how it should be provided.



BNR's breakthrough technologies made Northern Telecom the world's largest supplier of fully digital telecommunications systems. BNR will continue to strive to ensure BCE's leadership in new communications technologies.



## C O N T E N T S

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# Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) of 1994's financial results focuses on the principal operating groups of the Corporation and includes a review of the operations, current financial situation and outlook of each group. This MD&A should be read in conjunction with the audited consolidated financial statements contained on pages 36 to 61 of this annual report.

## Revenues

(\$ millions except per share amounts)

	1994	1993	1992
Canadian Telecommunications	8,868	8,614	8,415
Northern Telecom	12,137	10,550	10,222
Bell Canada International	138	138	118
Directories	518	525	694
Corporate	9	—	123
<b>Total revenues</b>	<b>21,670</b>	<b>19,827</b>	<b>19,572</b>

## Contribution to Net Earnings (Loss) Applicable to Common Share(s)

Canadian Telecommunications	809	749	945
Northern Telecom			
— net earnings excluding special charges	291	41	342
— special charges	—	(624)	—
Bell Canada International	162	58	21
Directories	45	61	92
Corporate	(129)	(126)	86
<b>Earnings from continuing operations</b>	<b>1,178</b>	<b>159</b>	<b>1,486</b>
Loss from discontinued operations	—	(815)	(96)
Dividends on preferred shares	(92)	(94)	(95)
<b>Net earnings (loss) applicable to common shares</b>	<b>1,086</b>	<b>(750)</b>	<b>1,295</b>
<b>Earnings (loss) per share</b>	<b>3.52</b>	<b>(2.44)</b>	<b>4.21</b>

BCE's 1994 net earnings reflect changes in the contribution of the Canadian Telecommunications group which was adversely affected by lower earnings at Bell Canada, offset by higher earnings at BCE Mobile and a \$70 million provision in 1993 relating to BCE's investment in Telesat Canada; the recovery at Northern Telecom; the \$151 million gain recognized by Bell Canada International (BCI) on the

reduction of its ownership in Bell Cablemedia plc; and lower earnings in the Directories group. 1993 net earnings reflected the impact to BCE of \$624 million of special charges recorded by Northern Telecom and charges of \$750 million resulting from the discontinued operations of Montreal Trustco, BF Realty Holdings Limited (BF Realty) and Brookfield Development Corporation (Brookfield).



## CANADIAN TELECOMMUNICATIONS

**Overview:** BCE's Canadian Telecommunications group comprises the following subsidiaries and other controlled entities: Bell Canada, BCE Mobile Communications Inc., NewTel Enterprises Limited, Northern Telephone Limited, Northwestel Inc., Télébec ltée and TMI Communications and Company, Limited Partnership and the following associated companies: Bruncor Inc., Maritime Tel & Tel Company, Limited, Teleglobe Inc. and Telesat Canada. These entities provide a full range of domestic and international telecommunication services to Canadian customers located in Ontario, Quebec, Newfoundland, the Northwest Territories, northern British Columbia, the Yukon, New Brunswick, Nova Scotia and Prince Edward Island. Bell Canada accounted for 85.6% and 82.9% of the group's revenues and earnings, respectively, in 1994.

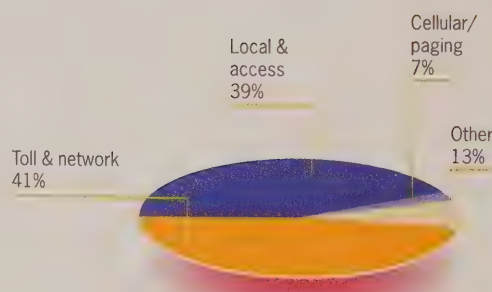
service. Revenues generated by optional services increased in 1994 as a result of concentrated sales efforts. The emergence of high margin optional services as a significant revenue source is an important benefit of the extensive investment made over the last several years in the digitization of switching equipment. Also, the number and value of network access services (NAS) increased over 1993. The number of NAS increased by 2.9% in 1994 over 1993 and by 2.5% in 1993 over 1992. Finally, contributions from long distance competitors for accessing the local network increased, reflecting increased long distance market share gains by competitors.

### Canadian Telecommunications Revenues

	(\$ millions)			% Increase (decrease)	
	1994	1993	1992	1994 vs. 1993	1993 vs. 1992
Local & access	3,481	3,171	2,912	9.8	8.9
Toll & network	3,630	3,837	4,066	(5.4)	(5.6)
Cellular/paging	636	512	449	24.2	14.0
Other	1,121	1,094	988	2.5	10.7
	8,868	8,614	8,415	2.9	2.4

**Results:** 1994 net earnings were affected by continued market share losses and pricing trends in the competitive long distance business and by the increase in depreciation expense. Bell Canada contributed net earnings of \$671 million to the Canadian Telecommunications group and earned a regulated rate of return of 9.7%, well short of the 11-12% range authorized by the Canadian Radio-television and Telecommunications Commission (CRTC), and also below the 10.5% earned in 1993.

**Revenues:** Canadian Telecommunications group revenues increased by 2.9% in 1994 after increasing by 2.4% in 1993. This modest growth was largely attributable to local and access revenues at Bell Canada as well as revenue increases at BCE Mobile. **Local & access:** Local and access service revenues are earned by connecting business and residence customers to networks and providing them with local area



Revenues



**Toll & network:** Toll and network service revenues are earned by carrying toll traffic and providing network services such as private line and business data services. The reduction in basic toll revenue is due to market share erosion and lower prices. As anticipated, the July 1, 1994 introduction of equal access exerted additional pressure on basic toll service revenues, primarily among residence customers. Bell Canada's long distance market share loss at the end of 1994 was approximately 22% compared with 14% at the end of 1993 and 9% at the end of 1992. To mitigate the market share losses, competitive pricing measures were implemented offering customers greater value and marketing efforts were increased. As a result, Bell Canada's toll volumes, as measured in conversation minutes, grew by 0.5% to 10,470 million in 1994, compared to 10,420 million in 1993. The decrease in revenues in 1993 resulted from the same factors.

**Cellular/paging:** In both 1994 and 1993 higher revenues were due to an increase in the number of cellular and paging customers outpacing reductions in revenues per customer.

**Other:** The main revenue streams in this category are competitive rental, sales and maintenance of terminal equipment and data processing and systems integration activities. For both 1994 and 1993, the gain in revenues was primarily due to increased data processing and systems integration activities.

as a result of the higher average depreciable plant and equipment balances and the net impact of changes in average service life of plant and equipment (\$166 million) partially offset by higher salvage for retired analog switching equipment (\$72 million). The investment that Bell Canada has made and will continue to make in modernizing and enhancing the capabilities of its plant will continue to result in higher depreciation expense. **Other operating expenses:** Other operating expenses decreased in 1994 despite \$104 million in higher sales and marketing expenses. This was essentially due to cost reduction programs which remain a priority. As well, the investments made in technology and in improving the management process in recent years have enabled Bell Canada to introduce new services and to increase productivity while delivering high quality services. The number of equivalent full time employees at the end of 1994 was 48,496, a reduction of 3.0% from 1993 and 8.6% from 1992. Bell Canada's 1994 total payroll of \$2,476 million (including amounts capitalized) was \$63 million or 2.5% less than 1993. This reflects the reductions in the levels of employees and the introduction of reduced work week programs, and was partially offset by non-management wage increases coming into effect under existing labour contracts during 1993 and 1994. The employee reductions had a more pronounced effect on capital rather than current activities. As

#### Bell Canada – Total Operating Expenses

	(\$ millions)			% Increase (decrease)	
	1994	1993	1992	1994 vs. 1993	1993 vs. 1992
Depreciation	1,901	1,676	1,582	13.4	5.9
Other operating expenses	4,107	4,117	4,038	(0.2)	2.0
	6,008	5,793	5,620	3.7	3.1

**Depreciation:** Increased depreciation expense at Bell Canada in 1994 was the result of higher depreciable property, plant and equipment balances (\$173 million), particularly in the high depreciation rate category of software, and lower net salvage proceeds (\$82 million). These increases were partially offset by a \$30 million reduction, over 1993, generated by the CRTC ruling in June 1994 to defer \$100 million of analog switching equipment amortization from 1994 to the years 1995-1998. Depreciation expense increased in 1993

a result, the salaries and wages component of operating expenses increased by \$6 million. Workforce reduction program costs were \$27 million, \$61 million and \$80 million in 1994, 1993 and 1992, respectively. The increase in other operating expenses in 1993 was mainly due to increased sales and marketing expenses, partially offset by decreases in salaries and wages and lower pension costs reflecting the reduction in the number of employees.

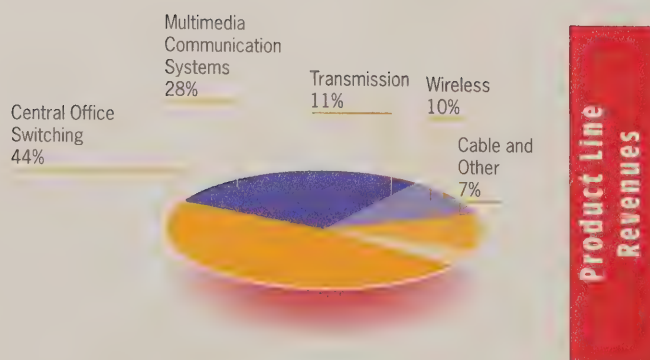


## NORTHERN TELECOM

**Overview:** Northern Telecom is a leading global manufacturer of telecommunications equipment. The telecommunications equipment business consists of the research, design, manufacture, sale, financing, installation and servicing of Central Office Switching equipment, Multimedia Communication Systems equipment, Transmission equipment, Wireless systems and Cable and Other products on a global basis. While Northern Telecom reports its results in U.S. dollars, all amounts presented here are in Canadian dollars, except where otherwise noted.

**Results:** The increase in contribution to BCE's 1994 net earnings over 1993 reflected improved operating earnings, a significantly higher than traditional level of investment and other income and a decrease in interest expense. In addition, the after-tax gains related to the disposition of the optical fiber and fiber cable manufacturing facility in Saskatoon (\$51 million to BCE) and the disposition of the connection, protection, and optical fiber management systems businesses (\$21 million to BCE) were included in the 1994 results. Northern Telecom's contribution to BCE's 1993 net earnings included \$624 million of special charges.

**Revenues:** Revenues increased by 15.0% in 1994 and 3.2% in 1993. The 1994 revenue increase was due to a net volume increase partially offset by the effect of net dispositions and price reductions and to the translation impact of a weaker Canadian dollar. The 1993 revenue increase was mainly due to the lower value of the Canadian dollar, net volume increases and to acquisitions made in 1993 partially offset by price reductions. **Product line revenues:** Revenues from Central Office Switching and Multimedia Communication Systems grew in both 1994 and 1993. The increases in 1994 reflected higher demand and the impact of foreign exchange. The 1993 growth in revenues was due to the lower value of the Canadian dollar and, with respect to Multimedia Communication Systems, the impact of acquisitions. Revenues from Transmission products increased in 1994 after declining in 1993. The 1994 increase was due to higher demand, while the decrease in 1993 was primarily due to lower sales in Canada. Wireless revenues, which had been included as a component of Central Office Switching and Transmission revenues, and are now disclosed separately in 1994, have increased in both 1994 and 1993, mainly due to volume growth and the impact of foreign exchange and, in 1993, due to the inclusion of Nortel Matra Cellular. The decrease in Cable and Other revenues was primarily due to business dispositions which occurred in 1994.





## Northern Telecom – Product Line Revenues

	(\$ millions)			% Increase (decrease)	
	1994	1993	1992	1994 vs. 1993	1993 vs. 1992
Central Office Switching	5,378	4,868	4,831	10.5	0.8
Multimedia Communication Systems	3,371	2,875	2,560	17.3	12.3
Transmission	1,276	975	1,062	30.9	(8.2)
Wireless	1,221	612	349	99.5	75.4
Cable and Other	891	1,220	1,420	(27.0)	(14.1)
	12,137	10,550	10,222	15.0	3.2

### **Geographic revenues – based on the location of the customer:**

1994 revenues by customer location increased in all markets except Canada which was impacted by considerably lower capital spending by Bell Canada and other Canadian telecommunications operating companies, which is expected to continue. Revenues increased in the United States in 1994 primarily due to higher sales to inter-exchange carriers, other customers and regional holding companies, while revenues in other international markets, comprising the Caribbean and Latin America and the Asia Pacific markets, increased due to significantly higher demand for Wireless products. Revenues increased in 1993 over 1992 in the United States, Europe

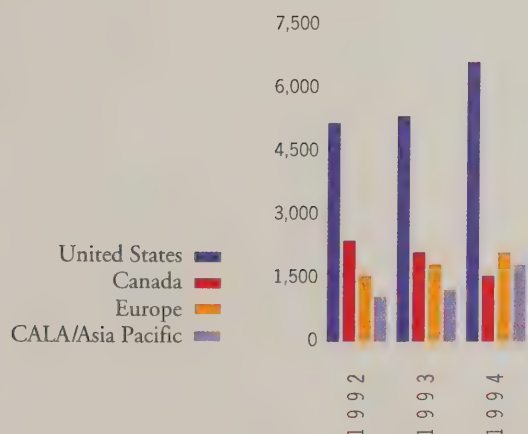
and other international markets, while declining in Canada. The increases were due to acquisitions, net volume increases and a weaker Canadian dollar.

### **Geographic revenues – based on the selling organization:**

1994 and 1993 revenues changed for the reasons previously noted with the exception of the 1994 change in Europe where there was a decrease in revenues due primarily to the sale of STC Submarine Systems.

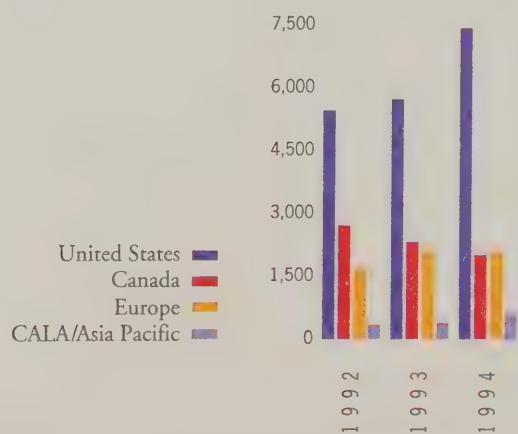
### **Geographic revenues based on location of customer**

(\$ millions)



### **Geographic revenues based on selling organization**

(\$ millions)





**Gross margin:** In 1994 the gross margin was 36.9% compared with 34.9% in 1993 and 40.5% in 1992. The 1994 increase is primarily the result of increased sales of Wireless products which have higher margins, and higher margins for Transmission sales, partially offset by pricing pressures on Central Office Switching products, particularly in the United States, and slightly lower software sales. Multimedia Communication Systems margins were essentially flat and Central Office Switching margins were down slightly. Margins on Cable and Other revenues decreased significantly primarily due to the sale of STC Submarine Systems. The gross margin is beginning to reflect the benefits being realized as a result of the actions taken as part of the 1993 restructuring. The 1993 decrease in gross margin was due to lower gross margins for all product lines, except Multimedia Communication Systems and Wireless, and changing product mix. Lower gross margins for Central Office Switching equipment were due to continuing competitive pricing pressures only partially offset by cost reductions. Transmission margins were also significantly down due to pricing pressures in both the United States and Canada.

**Other Income:** Other income was \$236 million higher in 1994, over 1993, primarily due to significantly higher than traditional levels of foreign exchange gains and interest income attributable to Northern Telecom's Turkish subsidiary, Netaş – Northern Electric Telekomünikasyon A.S. (Netas) and from interest income on cash balances resulting from proceeds of disposals of businesses. The higher levels of foreign exchange gains and interest income attributable to Netaş are related to contractual agreements, which may not continue. As a result of increasing international operations, foreign exchange related fluctuations may be an increasing factor. Other income was \$28 million lower in 1993, over 1992, due primarily to lower interest income.

**Order backlog:** The order backlog at the end of 1994 was down 6.9% to \$5.95 billion, compared with \$6.39 billion at year-end 1993, which was up 40% from \$4.55 billion at year-end 1992. The decrease in orders on hand was primarily due to the sale of STC Submarine Systems in 1994. The STC Submarine Systems backlog was \$663 million at December 31, 1993. Order backlog is being affected by deliveries being made under long-term supply contracts entered into in 1992 and 1993 and compressed order to delivery intervals. The majority of the 1994 backlog is scheduled for delivery within twelve months. The increase in 1993 was due to increased backlog in the United States, particularly for Central Office Switching products, and in other international markets.

**Restructuring:** On July 21, 1993, Northern Telecom announced \$1.48 billion in special charges (US \$1.16 billion). The charges included provisions of US \$409 million pre-tax for a restructuring program, US \$252 million pre-tax for a new software initiative and US \$500 million for a goodwill write-down. As at December 31, 1994, the remaining restructuring and software initiative provisions were US \$149 million and US \$65 million, respectively. The restructuring program and the software initiative continue to be on schedule and spending will continue through 1995. As expected, the anticipated benefits began to materialize in the second half of 1994 and are reflected in the second half results for 1994, particularly in cost of revenues and selling, general and administrative expense.

**Legal proceedings:** See Note 17 to the consolidated financial statements on page 58 of this annual report.



## BELL CANADA INTERNATIONAL

**Overview:** BCI is active in three business segments of the telecommunications industry outside of Canada: wireline, cable/phone and wireless. Currently, BCI's operations are principally located in the United Kingdom, the United States, Colombia and New Zealand.

**Results:** The 1994 net earnings were higher than 1993 as a result of the \$151 million gain recognized on the reduction of its ownership from 80% to 42.2% in Bell Cablemedia plc, a U.K. cable/phone company, that resulted from Bell Cablemedia plc's acquisition of additional U.K. properties and an initial public offering. On December 5, 1994, Mercury Communications Limited (Mercury) announced a restructuring charge of £120 million reflecting proposed staff reductions and associated asset write-downs. BCI's earnings were not affected by the Mercury charge as BCI had established sufficient provisions at the time of its investment in Mercury. Net earnings for 1993 included BCI's 20 per cent share of Mercury earnings following its December 1992 investment and a \$41 million net gain on the sale of its interests in Mexican cellular companies.

## DIRECTORIES

**Overview:** The Directories group publishes alphabetical, Yellow Pages and other directories in Canada, the United States, the Caribbean, the Middle East, India, Australia and Hong Kong.

**Results:** 1994 net earnings from the Directories group declined compared with 1993 due to increased direct and indirect competition in the Canadian market for the national and local advertising dollar and start-up costs in India and Hong Kong. 1993 net earnings declined reflecting the 1992 sale of its U.S. investments in the National Telephone Directory Corporation, Penn-Del Directory Corporation and the continuing softness in the Ontario market.

## CORPORATE

**Overview:** BCE Inc. is a strategic management company whose major activities include strategy development, human resource management, capital allocation, goal setting and performance monitoring.

**Results:** Corporate expenses, which are primarily interest and administrative expenses remained stable in 1994 compared with the prior year. 1992 results included \$166 million in gains on sale of portions of TransCanada PipeLines Limited (TCPL) and BCE Mobile. In addition equity earnings from TCPL were \$46 million in 1992 compared to nil in 1993.

## DISCONTINUED OPERATIONS

In 1994, BCE completed the disposition of its interests in Montreal Trustco as well as the disposition of its real estate holdings carried out by BF Realty and its principal subsidiary, Brookfield. Results of operations and provisions for loss on disposition totaling \$815 million after-tax were reported in 1993 as discontinued operations. For additional information refer to Note 6 to the consolidated financial statements on page 48 of this annual report.



## LIQUIDITY AND CAPITAL RESOURCES

### BCE Consolidated

Consolidated cash provided by operations increased by \$2.0 billion in 1994 to \$4.2 billion. The increase was due largely to improved earnings from continuing operations as well as lower working capital requirements and the payment in 1993 of \$982 million for the investment in Mercury. Investments in 1994 included acquisitions by BCI of interests in Jones Intercable, Inc. (Jones) and Comunicación Celular S.A. (Comcel). Proceeds on divestitures of \$2.2 billion reflect Northern's sale of its STC Submarine Systems business, Northern Telecom Finance Corporation as well as other manufacturing facilities.

At December 31, 1994, unused bank lines of credit available to BCE, generally at the prime bank rate of interest, amounted to approximately \$3.4 billion.

Free cash flow improved due to lower capital expenditures and higher depreciation and other non-cash operating items partially offset by lower earnings and higher working capital requirements.

Net capital expenditures of \$1.6 billion represent a decrease of \$498 million compared with 1993. The decrease was mainly due to significantly reduced spending on the switching equipment modernization program, which was substantially completed by the end of 1993, and to capital investment containment measures. In 1995, net capital expenditures are expected to total approximately \$1.8 billion.

Bell Canada's cash requirements in 1995, including the repayment of long-term debt and for capital expenditures, are expected to be substantially met by internally generated funds. Any needs for long-term funds are expected to be met by the issuance of debt.

### Bell Canada

(\$ millions)	1994	1993
Net earnings to common	721	796
Depreciation and other non-cash operating items	1,860	1,728
<b>Operating cash flow</b>	<b>2,581</b>	<b>2,524</b>
Working capital and other items	(297)	104
<b>Cash flow from operations</b>	<b>2,284</b>	<b>2,628</b>
Common dividends	(821)	(812)
Capital expenditures, net	(1,640)	(2,138)
Other investing activities	41	29
<b>Free cash flow</b>	<b>(136)</b>	<b>(293)</b>
<b>Financing provided by:</b>		
Increase in net borrowings	83	114
Net share issuance	25	175
Decrease in cash and other	28	4
	<b>136</b>	<b>293</b>



## Northern Telecom

(\$ millions)	1994	1993
Net earnings (loss) to common	559	(1,115)
Depreciation and other non-cash operating items	444	1,759
<b>Operating cash flow</b>	<b>1,003</b>	<b>644</b>
Working capital and other items	160	(464)
<b>Cash flow from operations</b>	<b>1,163</b>	<b>180</b>
Common dividends	(125)	(116)
Capital expenditures	(532)	(608)
Investments	(187)	(255)
Divestitures	2,236	15
Other investing activities	69	19
<b>Free cash flow</b>	<b>2,624</b>	<b>(765)</b>
<b>Financing activities:</b>		
Increase (decrease) in net borrowings	(1,402)	836
Net share issuance	85	(2)
Increase in cash on hand	(1,307)	(69)
	<b>(2,624)</b>	<b>765</b>

Northern's cash flow from operations of \$1.2 billion reflects increased net earnings and decreased working capital requirements partially offset by lower depreciation and other non-cash operating items. This, together with lower capital expenditures and investments and the proceeds received on disposition of businesses in 1994 resulted in an increase in free cash flow of \$3.4 billion in 1994, compared to 1993. The funds generated were used primarily to reduce borrowings and to pay for acquisitions and other investments.

Northern Telecom expects its consolidated capital expenditures for total year 1995 to be substantially above 1994 levels. Northern Telecom's management does not currently anticipate extraordinary or unusual levels of capital expenditures beyond 1995.

Northern's total debt to total capitalization ratio (as measured in U.S. dollars) was 29% at December 31, 1994 compared with 43% at December 31, 1993 and 40% at December 31, 1992. The decrease from 1993 reflects the utilization of the majority of the proceeds from the disposals of STC Submarine Systems, the optical fiber and fiber cable manufacturing facility in Saskatoon, Saskatchewan, the San Diego, California semiconductor manufacturing facility, and Northern Telecom Finance Corporation to reduce debt. The increase in 1993 reflects the net loss incurred, caused by the restructuring and other costs, along with borrowings to finance higher working capital and redemption of Series 3 preferred shares.

Northern Telecom has increased its equity participation in Matra Communication S.A. and in Nortel Matra Cellular SCA to 50% and 66%, respectively. The transactions represent an additional investment of approximately US \$145 million. In addition, Northern Telecom converted an existing debenture valued at approximately US \$150 million.

Northern Telecom expects to meet its cash requirements from operations, dispositions and conventional sources of external financing.



### **Bell Canada International**

During 1994 BCI acquired, a 30% interest (fully diluted) in Jones for total cash consideration of US \$259 million; an option for US \$55 million enabling it to acquire a controlling interest in Jones, and interests in other Jones assets for US \$35 million. The option will be exercisable by BCI in 2002, or earlier under certain circumstances. BCI has also committed to participate in future equity financing for up to an additional US \$141 million in order to finance the growth of Jones and to maintain its ownership interest.

In April 1994, BCI acquired a 51% interest in Comcel for US \$102 million and has committed to provide additional financial assistance of up to US \$78 million. In order to finance the acquisition of a cellular license and fund the building of their network, Comcel arranged \$270 million in debt financing.

During 1994 Bell Cablemedia plc and its subsidiaries have secured \$1.1 billion in financing to continue the development of their network.

### **BCE Inc.**

The major components of the cash flow of BCE Inc. in 1994 were dividends of \$973 million from subsidiaries and associated companies; \$922 million of dividends paid to our shareholders; \$900 million of investments in and advances to subsidiaries and associated companies (the most significant of which was to BCI to fund the transactions referred to above); cash expenditures totaling \$34 million, and the assumption of \$146 million of debt, to purchase a 70% interest in the Montreal office building where BCE and a number of subsidiaries maintain their headquarters. As a result of the disposition of BCE's real estate holdings carried on by BF Realty, BCE was required to pay \$103 million to purchase from the public BCE Place Finance Corporation preferred shares, which in turn were replaced by ownership of certain interest-bearing notes issued by Brookfield maturing in 1997 and 2002. Financing requirements in 1994 were largely provided by a \$1,160 million increase in net borrowings. BCE Inc. expects that the level of its new investments and advances to subsidiary and associated companies will in 1995 be significantly lower than in 1994. At the end of April 1995, \$617 million of preferred shares issued by BCE Inc. in 1989 and 1990 are retractable at the option of the holders. BCE Inc. expects to meet its cash requirements from conventional sources of external financing, including the issuance of securities.



## OUTLOOK

### *Canadian Telecommunications*

Implementation of the CRTC's recent Regulatory Framework Decision (Telecom Decision 94-19) will significantly change the face of the Canadian telecommunications industry. It brings the challenge of dealing with competition to virtually all areas of BCE's operations. It promises considerable opportunities: (i) increased flexibility for competitive operations; (ii) a move on January 1, 1998 to incentive-based price cap regulation for utility operations; and (iii) encouragement for the carriage on telephone company networks of a full range of existing and emerging services.

In December 1994, however, in response to appeals from competitors and from consumer advocacy groups, the Federal Cabinet directed the CRTC to reconsider by October 31, 1995 the rate rebalancing feature of its Regulatory Framework Decision and to delay the \$2 per month local rate increases and the corresponding long distance rate decreases that had been prescribed for January 1995. Rate rebalancing is essentially revenue neutral. However, it reduces the required cross-subsidy from competitive long distance service, where the market share is declining, to unprofitable local service, where the obligation to provide service continues to grow. Also in December 1994, and once again in response to protests from competitors, the CRTC delayed that portion of the Regulatory Framework Decision which would have implemented an average per minute contribution charge, pending examination of a per minute charge differentiated between peak and off-peak traffic.

These reviews of key aspects of the Regulatory Framework Decision create an uncertain regulatory and business environment for the year ahead.

At Bell Canada, increasing competitive inroads in the long distance market which affect both earnings and cash flow, together with continuing growth in depreciation expense, which affects earnings but not cash flow, will mean considerably more pressure on earnings in 1995 than in 1994, as already reflected in the substantial drop in earnings in the fourth quarter over the third quarter of 1994.

During the coming months, Bell Canada will be announcing the specific measures it will be taking, based on the three year business plan being developed with the new business units formed in November 1994, to reduce costs and to improve revenues in order to achieve its financial

objectives by the end of the plan. These measures will include work force reductions and significant business transformation plans. Bell Canada will also be addressing the technological requirements to support a state-of-the-art telecommunications network. Finally, these measures will include a review of Bell Canada's rate structure, including the need to adapt the local rate structure to the competitive environment that will prevail in the coming years. These measures, together with acceptable regulatory determinations, are necessary to permit Bell Canada to achieve satisfactory returns.

### *Northern Telecom*

Northern Telecom expects that the pressures on gross margins will continue. In addition, as Central Office Switching sales decline as a percentage of overall sales, gross margins may be negatively impacted. Margins are also significantly affected by the volume of software sales due to high margins associated with software sales. However, Northern Telecom expects that these pressures will be offset by increasing sales of higher margin products and by realization of the restructuring benefits. Northern Telecom has taken steps to reduce excess capacity and to rationalize and consolidate manufacturing facilities, and continues to reduce infrastructure support costs.

### *Bell Canada International*

The global telecommunications industry is undergoing a period of rapid change. BCI remains committed to establishing itself as a leading provider of telecommunications services internationally. During 1995 BCI will focus on the management and development of its current operations, as well as continuing to search for international opportunities that complement its existing businesses internationally.

### *Directories*

The Directories group will focus on the increasingly competitive Canadian market by continuing to introduce new value-added enhancements to its Yellow Pages product. Tele-Direct is now well positioned internationally to take advantage of existing and development properties.

## CONSOLIDATED FINANCIAL STATEMENTS

BCE Inc. December 31, 1994

### Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of BCE Inc. and its subsidiaries (collectively BCE), and all information in this annual report are the responsibility of management and have been approved by the board of directors.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. The financial statements include some amounts that are based on best estimates and judgements of management, and in their opinion present fairly BCE's financial position, results of operations and changes in financial position. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

Management of BCE, in furtherance of the integrity and objectivity of the financial statements, has developed and maintains a system of internal controls and supports an extensive program of internal audits. Management believes the internal controls provide assurance that financial records are reliable and form a proper basis for the preparation of financial statements and that BCE's assets are properly accounted for and safeguarded. The internal control process includes management's communication to employees of policies which govern ethical business conduct.

The board of directors carries out its responsibility for the financial statements in this annual report principally through its audit committee, consisting solely of outside directors. The audit committee reviews the corporation's annual consolidated financial statements and other information in the annual report, and recommends their approval by the board of directors. The shareholders' auditors have free and independent access to the audit committee.

These financial statements have been audited by the shareholders' auditors, Deloitte & Touche, Chartered Accountants, and their report is presented below.

David A. Lazzarato  
Vice-President and Comptroller

February 22, 1995

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### Auditors' Report

To the Shareholders of BCE Inc.

We have audited the consolidated balance sheets of BCE Inc. and its subsidiaries as at December 31, 1994 and 1993, and the consolidated statements of operations, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1994. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform audits to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and 1993, and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1994, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche  
Chartered Accountants

Montreal, Quebec  
February 22, 1995



## CONSOLIDATED STATEMENTS OF OPERATIONS

	Notes	(\$ millions except per share amounts)		
For the years ended December 31		1994	1993	1992
Revenues	(2)	21,670	19,827	19,572
Operating expenses		17,254	15,786	14,788
Research and development expense		1,606	1,395	1,242
Restructuring and other costs	(3)	—	1,479	—
Operating profit		2,810	1,167	3,542
Other income	(4)	692	188	486
<b>Operating earnings</b>		3,502	1,355	4,028
Interest expense – long-term debt		1,019	969	895
– other debt		192	253	204
Total interest expense		1,211	1,222	1,099
Earnings before income taxes and non-controlling interest		2,291	133	2,929
Income taxes	(5)	(769)	(390)	(1,029)
Non-controlling interest		(344)	416	(414)
<b>Earnings from continuing operations</b>		1,178	159	1,486
<b>Loss from discontinued operations</b>	(6)	—	(815)	(96)
<b>Net earnings (loss)</b>		1,178	(656)	1,390
Dividends on preferred shares		(92)	(94)	(95)
<b>Net earnings (loss) applicable to common shares</b>		1,086	(750)	1,295
<b>Earnings (loss) per share</b>				
Continuing operations		3.52	0.21	4.52
Discontinued operations		—	(2.65)	(0.31)
Net earnings (loss) per share		3.52	(2.44)	4.21
<b>Dividends declared per common share</b>		2.69	2.65	2.61
Average number of common shares outstanding (millions)		308.8	307.0	307.6

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

	Notes			(\$ millions)
For the years ended December 31		1994	1993	1992
<b>Balance at beginning of year</b>		2,908	4,475	4,165
Net earnings (loss)		1,178	(656)	1,390
		4,086	3,819	5,555
Deduct:				
Dividends				
Preferred shares		92	94	95
Common shares		830	814	801
		922	908	896
BCE Inc. common shares purchased for cancellation	(14)	28	—	183
Costs related to issuance and redemption of share capital of BCE Inc. and of subsidiaries		—	3	1
		950	911	1,080
<b>Balance at end of year</b>		3,136	2,908	4,475

# CONSOLIDATED BALANCE SHEETS

At December 31	Notes	1994	1993
<b>Assets</b>			
<b>Current assets</b>			
Cash and short-term investments		1,367	121
Accounts receivable	(7)	5,043	5,236
Inventories	(8)	1,624	1,610
Prepaid expenses		312	286
Deferred income taxes		451	427
		8,797	7,680
Investments in associated and other companies	(9)	3,889	2,745
Property, plant and equipment, net	(10)	22,157	22,308
Long-term notes and other receivables		738	1,239
Deferred charges		1,657	1,002
Goodwill		854	1,734
<b>Total assets</b>		<b>38,092</b>	<b>36,708</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		6,087	6,277
Income and other taxes payable		199	104
Debt due within one year	(11)	2,019	2,591
		8,305	8,972
Long-term debt	(12)	11,434	10,449
Deferred income taxes		2,025	2,000
Other long-term liabilities		999	859
<b>Total liabilities</b>		<b>22,763</b>	<b>22,280</b>
<b>Non-controlling interest</b>		<b>3,977</b>	<b>3,505</b>
<b>Preferred shares</b>	(13)	<b>1,229</b>	<b>1,229</b>
<b>Common shareholders' equity</b>			
Common shares	(14)	5,813	5,728
Common share purchase warrants	(15)	38	39
Contributed surplus	(14)	1,003	1,007
Retained earnings		3,136	2,908
Foreign currency translation adjustment	(16)	133	12
		10,123	9,694
Commitments and contingent liabilities	(17)		
<b>Total liabilities and shareholders' equity</b>		<b>38,092</b>	<b>36,708</b>

On behalf of the Board of Directors:

Warren Chippindale  
Director

E. Neil McKelvey  
Director

David A. Lazzarato  
Vice-President and Comptroller



# CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the years ended December 31	Notes	1994	1993	1992
				(\$ millions)
<b>Cash provided by (used for) operations</b>				
Earnings from continuing operations		1,178	159	1,486
Items not affecting cash				
Depreciation		2,700	2,471	2,324
Restructuring and other costs	(3)	—	624	—
Gain on reduction of ownership in a subsidiary	(4)	(151)	—	(26)
Non-controlling interest		344	157	419
Deferred income taxes		9	157	89
Equity in net earnings of associated companies				
lower than (in excess of) dividends received		(50)	25	(46)
Other items		(69)	88	1
Decrease (increase) in working capital	(18)	269	(1,422)	(3)
<b>Net cash provided by operations</b>		4,230	2,259	4,244
<b>Cash provided by (used for) investments</b>				
Capital expenditures		(2,811)	(3,210)	(3,715)
Investments		(1,035)	(420)	(1,662)
Long-term notes and other receivables		73	(170)	283
Divestitures		2,236	740	624
Other items		(307)	134	(37)
<b>Net cash used for investments</b>		(1,844)	(2,926)	(4,507)
<b>Cash provided by (used for) financing</b>				
Addition to long-term debt		1,206	2,923	2,231
Reduction of long-term debt		(990)	(1,319)	(1,711)
Issue of common shares		106	122	138
Purchase of common shares for cancellation		(53)	—	(356)
Issue of preferred and common shares by subsidiaries				
to non-controlling interests		90	131	117
Redemption of preferred shares by subsidiaries		—	(158)	(106)
Notes payable and bank advances		(279)	(206)	691
Other items		(138)	121	252
<b>Net cash (used for) provided by financing</b>		(58)	1,614	1,256
<b>Dividends declared</b>				
By BCE Inc.				
Preferred shares		(92)	(94)	(95)
Common shares		(830)	(814)	(801)
By subsidiaries to non-controlling interests		(160)	(155)	(160)
<b>Dividends declared</b>		(1,082)	(1,063)	(1,056)
Net increase (decrease) in cash and short-term investments		1,246	(116)	(63)
Cash and short-term investments at beginning of year		121	237	300
<b>Cash and short-term investments at end of year</b>		1,367	121	237

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

BCE is Canada's largest telecommunications company. Its core businesses, carried on through subsidiaries, are the provision of telecommunications services and the development and manufacture of telecommunications equipment. The three management groups through which BCE provides telecommunications services are Canadian Telecommunications, Bell Canada International and Directories. Northern Telecom provides research, design, manufacture, sale, financing, installation and servicing of telecommunications equipment on a global basis.

### 1. Accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and all amounts are in Canadian dollars unless otherwise indicated. Certain comparative figures in the consolidated financial statements have been reclassified to conform with the current year presentation.

Most of BCE's telecommunications subsidiary and associated companies are subject to the jurisdiction of the Canadian Radio-television and Telecommunications Commission (CRTC) in various respects including rates, costing and accounting practices. The CRTC is an agency of the Canadian government.

With respect to the financial statements of BCE Inc. (the Corporation) and its consolidated subsidiaries companies (collectively BCE), the important differences between Canadian and United States generally accepted accounting principles are described and reconciled in note 20.

#### Consolidation

The financial statements of entities which are controlled by the Corporation are consolidated; associated companies and joint ventures, which the Corporation has the ability to significantly influence, generally representing 20 to 50 per cent ownership, are accounted for by using the equity method; investments in other entities are accounted for by using the cost method. Under the equity method, the Corporation's proportional share of the net earnings of such entities from the dates of their acquisition, net of amortization of goodwill, is taken into earnings and added to the cost of the investments. Dividends received from these entities increase cash and reduce the carrying amounts of the investments.

Goodwill represents the excess of cost of investments over the fair value of the net assets acquired and is being amortized to earnings on a straight-line basis, the majority of which is over a period of 40 years. Goodwill amortization amounted to \$57 million in 1994, \$84 million in 1993 and \$83 million in 1992.

Intercompany earnings on the sales of telecommunications equipment from Northern Telecom to the regulated subsidiaries of BCE are deemed to be realized and are not eliminated on consolidation. The sales price on such equipment is recognized for rate-making purposes by the CRTC and other regulators. All other significant intercompany transactions have been eliminated in the consolidated financial statements.

#### Depreciation

Depreciation is generally computed using the straight-line method, with rates based on the estimated useful lives of the assets. The rates used by regulated entities are reviewed by the CRTC.

#### Research and development (R&D)

R&D expense is charged to earnings in the periods in which it is incurred, except for expense incurred pursuant to specific contracts with third parties, which are charged to earnings in the same period as the related revenue is recognized. Related investment tax credits reduce R&D expense in the same period in which the related expenditures are charged to earnings, provided there is reasonable assurance the benefits will be realized.

#### Software

The cost of acquiring and modifying switching machine software, which provides services in the telecommunications network, and developing certain administrative applications software is capitalized and amortized on a straight-line basis over three to five years.



## 1. Accounting policies *(continued)*

### **Translation of foreign currencies**

Self-sustaining subsidiaries, which comprise most of the Corporation's foreign subsidiaries, are those whose economic activities are largely independent of those of the parent company. Assets and liabilities denominated in a foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet dates. Resulting unrealized gains or losses, net of related hedging activities, are accumulated in and reported as foreign currency translation adjustment in shareholders' equity. On disposal of such investments, an appropriate portion of the currency translation adjustment is recognized in net earnings. Revenues and expenses are translated at average exchange rates prevailing during the year.

Integrated subsidiaries are financially or operationally dependent on the parent company. Monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period. Translation exchange gains or losses of integrated subsidiaries and those subsidiaries operating in hyperinflationary economic environments are reflected in net earnings.

Unrealized translation gains and losses on assets and liabilities denominated in foreign currencies are reflected in net earnings of the year, except for gains and losses on long-term monetary assets and liabilities, such as long-term debt, which are reported as deferred charges or other long-term liabilities and amortized to earnings on a straight-line basis over the remaining lives of the related items.

### **Employee benefits**

#### **Pension plans**

The Corporation and most of its significant subsidiary companies maintain non-contributory defined benefit plans that provide for pensions for substantially all their employees based on length of service and rate of pay. The Corporation's funding policy is to make contributions to its pension funds based on various actuarial cost methods as permitted by pension regulatory bodies. The companies are responsible to adequately fund the plans. Contributions reflect actuarial assumptions concerning future investment returns, salary projections and future service benefits.

The cost of pensions is accrued and charged to earnings over employees' working lives. The cumulative difference between pension fund contributions and the amounts recorded as expense is recorded in deferred charges or other long-term liabilities.

#### **Postemployment benefits**

Under its benefit plans, the Corporation and most of its subsidiary companies provide employees various disability plans, workers' compensation and medical benefits to former or inactive employees, their beneficiaries, and covered dependents after employment but before retirement, under specified circumstances. The cost of providing these benefits is charged to earnings as expenditures are incurred.

#### **Postretirement benefits other than pensions**

The Corporation and most of its subsidiary companies also provide certain health care and life insurance benefits for employees on retirement. The cost of postretirement benefits other than pensions, such as medical benefits and life insurance for retirees, is generally charged to earnings as expenditures are incurred.

### **Income taxes**

The Corporation and its subsidiaries other than those which are regulated carriers use the deferral method of accounting for income taxes. The regulated carriers use the liability method of accounting for income taxes, as described in the following paragraph. Under both the deferral and liability methods, the companies provide for income taxes based on accounting income for tax purposes included in the financial statements, regardless of when such income is subject to taxes under tax laws. The differences between taxes currently payable and taxes accrued are reported as deferred income taxes on the consolidated balance sheets.

## 1. Accounting policies (continued)

### Income taxes (continued)

The CRTC has directed federally regulated carriers that their deferred income tax balances be adjusted to reflect the changes to income tax rates. The resulting adjustments to deferred income taxes are to be taken into earnings in the year in which the changes occur. A longer amortization period could be considered by the CRTC if any adjustment to the deferred income taxes has a significant impact on the rates of return on equity of these companies.

### Earnings per share

Earnings per share are based on the weighted average number of shares outstanding and are calculated after deducting dividends on preferred shares. The dilutive effect on earnings per share, after the assumed exercise of warrants and options, is insignificant.

### Inventories

Inventories are valued at the lower of cost (calculated generally on a first-in, first-out basis) and net realizable value. The cost of finished goods and work-in-process inventories is comprised of material, labour and manufacturing overhead.

### Leases

Leases are classified as capital or operating leases. When BCE is the lessor, rental revenue from operating leases is recognized over the term of the lease. For leases which qualify as sales-type leases, the sales revenue is recorded at the inception of the lease. When BCE is the lessee, assets recorded under capital leases are amortized on a straight-line method, using rates based on the estimated useful life of the asset or based on the lease term, as appropriate. Obligations recorded under the capital leases are reduced by rental payments net of imputed interest.

## 2. Industry segments information

BCE operates the following business segments:

- (a) **Canadian Telecommunications** – provides a full range of telecommunications services in Canada;
- (b) **Northern Telecom** – provides research, design, manufacture, sale, financing, installation and servicing of telecommunications equipment on a global basis;
- (c) **Bell Canada International (BCI)** – is active in the wireline, cable/phone, and wireless segments of the telecommunications industry, principally in the United Kingdom, United States, Colombia and New Zealand;
- (d) **Directories** – publishes telephone and other directories in Canada and internationally; and
- (e) **Corporate** – BCE Inc. is a strategic management company whose major activities include strategy development, human resources management, capital allocation, goal setting and performance monitoring. Corporate results include BCE Inc. administrative expenses, interest expense, gains and losses on sales of corporate investments and related income taxes.



## 2. Industry segments information (continued)

Business segments		Revenues	(\$ millions)	
			Net operating and other expenses	Earnings (loss) from continuing operations
Canadian Telecommunications	1994	8,868	8,059	809
	1993	8,614	7,865	749
	1992	8,415	7,470	945
Northern Telecom	1994	12,137 (i)	11,846	291
	1993	10,550 (i)	10,509	(583)(ii)
	1992	10,222 (i)	9,880	342
Bell Canada International	1994	138	(24)	162
	1993	138	80	58
	1992	118	97	21
Directories	1994	518	473	45
	1993	525	464	61
	1992	694	602	92
Corporate	1994	9	138	(129)
	1993	—	126	(126)
	1992	123	37	86
Total	1994	21,670	20,492	1,178
	1993	19,827	19,044	159(ii)
	1992	19,572	18,086	1,486

(i) Northern Telecom revenues comprise revenues from:

	(\$ millions)		
	1994	1993	1992
Bell Canada	581	979	1,550
Other telecommunications subsidiary and associated companies of BCE Inc.	270	413	178
Other customers	11,286	9,158	8,494
<b>Total</b>	<b>12,137</b>	<b>10,550</b>	<b>10,222</b>

Telecommunications equipment manufacturing sales of Northern Telecom to BCE and associated companies are made on arm's length terms. Sale prices and terms are based on those prevailing in the market for equivalent material and services under comparable conditions.

(ii) Includes the BCE share of Northern Telecom's restructuring and other costs amounting to \$624 million.

## 2. Industry segments information (continued)

		(\$ millions)				
Geographic segments (iii)						
		Total	Revenues Transfers between geographic areas	Customers	Operating earnings before R&D expense and restructuring and other costs	Identifiable assets
Canada	1994	14,190	(2,738)	11,452	3,022	26,196
	1993	13,255	(1,733)	11,522	3,096	26,165
	1992	13,355	(1,352)	12,003	3,628	26,778
U.S.A.	1994	8,058	(595)	7,463	1,744	6,098
	1993	6,327	(532)	5,795	926	5,602
	1992	6,017	(487)	5,530	1,463	5,539
Europe	1994	2,251	(135)	2,116	354	6,262
	1993	2,180	(82)	2,098	240	6,187
	1992	1,704	(25)	1,679	142	6,114
Other	1994	798	(159)	639	(12)	1,250
	1993	585	(173)	412	(33)	501
	1992	513	(153)	360	37	608
Eliminations	1994	(3,627)	3,627	—	—	(1,714)
	1993	(2,520)	2,520	—	—	(1,747)
	1992	(2,017)	2,017	—	—	(2,383)
Total	1994	21,670	—	21,670	5,108	38,092
	1993	19,827	—	19,827	4,229	36,708
	1992	19,572	—	19,572	5,270	36,656

(iii) The point of origin (the location of the selling organization) of revenues and the location of the assets determine the geographic area.

	(\$ millions)		
	1994	1993	1992
<b>Earnings</b>			
Operating earnings before R&D expense and restructuring and other costs	5,108	4,229	5,270
R&D expense	1,606	1,395	1,242
Restructuring and other costs	—	1,479	—
Operating earnings	3,502	1,355	4,028
Interest expense, income taxes and non-controlling interest	2,324	1,196	2,542
<b>Earnings from continuing operations</b>	<b>1,178</b>	<b>159</b>	<b>1,486</b>



## 2. Industry segments information (continued)

	1994	1993	1992
	(\$ millions)		
<b>Assets</b>			
Canadian Telecommunications	22,246	22,079	21,106
Northern Telecom	12,363	12,608	11,895
Bell Canada International	2,735	1,517	2,019
Directories	208	217	432
Corporate	1,951	1,170	3,056
Eliminations	(1,411)	(883)	(1,852)
<b>Total assets as at December 31</b>	<b>38,092</b>	<b>36,708</b>	<b>36,656</b>
<b>Capital expenditures</b>			
Canadian Telecommunications	1,983	2,488	2,981
Northern Telecom	532	608	692
Bell Canada International	110	101	9
Directories	6	9	15
Corporate	180	4	18
<b>Total capital expenditures</b>	<b>2,811</b>	<b>3,210</b>	<b>3,715</b>
<b>Depreciation</b>			
Canadian Telecommunications	2,149	1,905	1,790
Northern Telecom	533	551	511
Bell Canada International	8	6	3
Directories	7	6	10
Corporate	3	3	10
<b>Total depreciation</b>	<b>2,700</b>	<b>2,471</b>	<b>2,324</b>
<b>BCE investments, at equity (iv)</b>			
Canadian Telecommunications	9,291	9,227	9,021
Northern Telecom	2,360	2,066	2,676
Bell Canada International	2,099	1,248	1,091
Directories	39	46	38
Corporate	839	573	2,397
<b>Total BCE investments, at equity</b>	<b>14,628</b>	<b>13,160</b>	<b>15,223</b>

(iv) For this analysis, investments are reported on an "equity" basis, comprising BCE's cumulative investment made in each operating business segment plus BCE's share of the cumulative segment earnings less dividends received from the segment.

### 3. Restructuring and other costs

On July 21, 1993, Northern Telecom announced \$1,479 million (US \$1,161 million) in special charges for a restructuring program (US \$409 million pre-tax), a new software initiative (US \$252 million pre-tax), and a goodwill write-down (US \$500 million). The impact of these special charges on BCE's 1993 net loss was \$624 million.

As at December 31, 1994, the remaining restructuring and software initiative provisions included in other accrued liabilities were US \$149 million and US \$65 million, respectively. As at December 31, 1993, the outstanding provisions were US \$320 million and US \$134 million, respectively.

### 4. Other income

	(\$ millions)		
	1994	1993	1992
Gain on reduction of ownership in a subsidiary (a)	151	—	26
Gain (loss) on disposal of investments			
Optical fiber businesses (b)	179	—	—
Mexican cellular businesses	—	63	—
TransCanada PipeLines Limited	—	39	138
Printing companies	—	—	76
Other	—	(1)	23
Equity in net earnings of associated companies (c)	113	11	103
Interest income	199	73	87
Other	50	3	33
<b>Total other income</b>	<b>692</b>	<b>188</b>	<b>486</b>

(a) On July 22, 1994, BCI recognized a gain of \$151 million on the reduction of its ownership, from 80% to 42.2%, in Bell Cablemedia plc (BCM), a U.K. cable/phone company, that resulted from BCM's acquisition of additional U.K. cable properties and initial public offering.

(b) On February 28, 1994, Northern Telecom completed the sale of its optical fiber and fiber cable manufacturing facility in Saskatoon, Saskatchewan, resulting in a gain of \$132 million. On December 30, 1994, Northern Telecom sold the connection, protection and optical fiber management systems businesses, resulting in a gain of \$47 million.

(c) Includes a \$70 million provision in 1993 relating to BCE's investment in Telesat Canada.



## 5. Income taxes

A reconciliation of income taxes at Canadian statutory rates with the reported income taxes follows:

	1994	1993	1992
			(\$ millions)
Earnings before income taxes and non-controlling interest			
Canadian	1,972	1,278	2,145
Other	319	(1,145)	784
<b>Total earnings before income taxes and non-controlling interest</b>	<b>2,291</b>	<b>133</b>	<b>2,929</b>
Statutory income tax rate in Canada	41.9%	42.0%	41.7%
Income taxes at Canadian statutory rates	960	56	1,222
(i) Amortization of deferred tax adjustment	(44)	(58)	(59)
(ii) Difference between Canadian statutory rates and those applicable to restructuring and other costs	—	345	—
(iii) Difference between Canadian statutory rates and those applicable to foreign subsidiaries	(26)	(21)	(58)
(iv) Equity in net earnings of associated companies	(47)	(4)	(43)
(v) Gain on reduction of ownership in a subsidiary	(63)	—	(11)
(vi) Other	(11)	72	(22)
<b>Total income taxes</b>	<b>769</b>	<b>390</b>	<b>1,029</b>
Details of income taxes:			

	1994	1993	1992
			(\$ millions)
Income taxes			
Canadian	632	567	753
Other	137	(177)	276
<b>Total income taxes</b>	<b>769</b>	<b>390</b>	<b>1,029</b>
Income taxes			
Current	760	233	940
Deferred	9	157	89
<b>Total income taxes</b>	<b>769</b>	<b>390</b>	<b>1,029</b>

Deferred income taxes result from deductions for tax purposes, principally in respect of buildings, plant and equipment, in excess of amounts currently charged to operations.

In accordance with a July 1989 CRTC Telecom decision, a \$293 million deferred tax adjustment was recorded by BCE in 1989 and amortized as a reduction of the income taxes over a five-year period ended September 1994.

## 6. Discontinued operations

a) In December 1993, BCE signed an agreement in principle to sell Montreal Trustco to The Bank of Nova Scotia (BNS) and recorded a provision for discontinued operations amounting to \$500 million before income taxes. The transaction was completed on April 11, 1994, and BCE was issued 10 million BNS common shares and acquired certain Montreal Trustco real estate properties. These properties are held for resale and recorded at their estimated net realizable value.

b) Also in December 1993, BCE signed a letter of intent to dispose of its investments relating to the real estate operations carried out by BF Realty Holdings Limited (BF Realty) and its principal subsidiary, Brookfield Development Corporation (Brookfield) to Carena Developments Limited (Carena). As part of the transaction, BCE purchased on June 17, 1994, a 70% interest in the Montreal office building located at 1000 de La Gauchetière Ouest, where BCE and a number of its subsidiaries maintain their headquarters, for \$34 million and the assumption of \$146 million of debt. BCE recorded a charge in 1993 of \$700 million before income taxes to provide for its estimated financial exposure on this transaction and on certain guarantees relating to BCE Place in Toronto.

On April 13, 1994, BCE completed the disposition of its investments relating to the real estate operations carried out by BF Realty and Brookfield, thus triggering BCE's guarantee obligation to offer to purchase the preferred shares of BCE Place Finance Corporation. BCE purchased all preferred shares tendered for a total of \$103 million. BCE subsequently foreclosed on, thereby becoming the owner of, certain interest-bearing notes issued by Brookfield maturing in 1997 and 2002. The notes had been held by BCE as security in the event it was called to honour its guarantee obligation with respect to the preferred shares.

The operating earnings of Montreal Trustco through December 1993, provisions for discontinuance of Montreal Trustco and BF Realty/Brookfield and combined net assets values of these discontinued operations were as follows:

### Statement of operations

	(\$ millions)	
	1993	1992
Revenues	1,146	1,306
Operating expenses and preferred dividends	(1,257)	(1,475)
Income tax recovery	46	73
Loss to BCE – financial services	(65)	(96)
Provisions for discontinuance		
– Montreal Trustco (a)	(500)	–
– BF Realty / Brookfield (b)	(700)	–
Total provisions for discontinuance	(1,200)	–
Less: income tax recovery		
– Montreal Trustco (a)	100	–
– BF Realty / Brookfield (b)	350	–
Net cost of provisions	(750)	–
<b>Net loss from discontinued operations</b>	<b>(815)</b>	<b>(96)</b>



## 6. Discontinued operations (continued)

### Balance sheet

At December 31	(\$ millions)	
	1994	1993
Loans		8,685
Other assets		2,464
Total assets		11,149
Investment certificates and borrowings		(8,962)
Other liabilities and preferred shares		(1,787)
Net asset carrying value, included in investments in associated and other companies		400

## 7. Accounts receivable

At December 31	(\$ millions)	
	1994	1993
Trade	4,885	4,531
Provision for uncollectibles	(111)	(97)
	4,774	4,434
Related parties	58	126
Other	211	676
Total accounts receivable	5,043	5,236

Bell Canada and Northern Telecom have programs to sell trade receivables on a revolving basis. At December 31, 1994, they had sold, with limited recourse, accounts receivable for cash proceeds of \$1,074 million and \$935 million in 1993.

## 8. Inventories

At December 31	(\$ millions)	
	1994	1993
Raw materials	346	380
Work-in-process	392	458
Finished goods	886	772
Total inventories	1,624	1,610

## 9. Investments in associated and other companies

At December 31	Notes	1994	1993
<b>Canadian Telecommunications</b>			
Telelobe Inc. (a)		250	216
Maritime Telegraph and Telephone Company, Limited (MT&T) (b)		181	172
Bruncor Inc. (Bruncor) (c)		150	132
Telesat Canada (d)		158	119
Other		48	34
<b>Northern Telecom</b>			
Matra Communication S.A. (e)		506	319
ICL PLC (f)		149	131
Other		21	8
<b>Bell Canada International</b>			
Mercury Communications Limited (Mercury) (g)		1,137	1,044
Jones Intercable, Inc. (Jones) (h)		485	—
Bell Cablemedia plc (i)		418	117
Other		53	22
<b>Directories</b>		8	14
<b>Corporate</b>			
Bank of Nova Scotia	(6)	300	—
Montreal Trustco	(6)	—	400
Other		25	17
<b>Total investments in associated and other companies (j)</b>		<b>3,889</b>	<b>2,745</b>

### (a) **Telelobe Inc.**

At December 31, 1994, the investment in Telelobe Inc. represented an interest of approximately 24.4% compared with 22.5% in 1993 on a fully diluted basis.

### (b) **MT&T**

At December 31, 1994, BCE owned 36.0% (10,109,707 shares) of the common shares of MT&T compared with 35.2% in 1993. A Nova Scotia statute provides that no more than 1,000 shares of MT&T may be voted by any one shareholder.

### (c) **Bruncor**

At December 31, 1994, BCE owned 42.6% of the common shares of Bruncor compared with 40.5% in 1993.

### (d) **Telesat Canada**

At December 31, 1994 and December 31, 1993, BCE owned 58.5% of Telesat Canada, with a voting interest of 26.1%.

### (e) **Matra Communication S.A.**

On June 30, 1994, Northern Telecom signed an agreement with Lagardère Groupe SCA (Lagardère) which effectively replaces agreements signed on July 2, 1992, pertaining to Matra Communication S.A. (Matra Communication), a French subsidiary of Lagardère in which Northern Telecom has held a 20% equity participation. As a consequence of the new agreement, Northern Telecom has increased its equity participation in Matra Communication such that Northern Telecom and Lagardère currently each hold 50% of the outstanding share capital of Matra Communication. Further, Northern Telecom increased its direct equity participation in Nortel Matra Cellular SCA, a company which it jointly owns with Matra Communication, to 66%. The transactions represent an additional investment by Northern Telecom of approximately US \$145 million. In addition, Northern Telecom converted an existing debenture valued at approximately US \$150 million, as contemplated by the July 2, 1992 agreements. The transactions in 1994 resulted in an increase in goodwill implicit in this investment of approximately 1.2 billion French francs (approximately US \$234 million) bringing the total to approximately 1.7 billion French francs (approximately US \$320 million).



## 9. Investments in associated and other companies (continued)

At December 31, 1994, Matra Communication had consolidated revenues of 6.5 billion French francs (approximately US \$1.2 billion) and net earnings of nil for the year then ended.

In a related agreement, Lagardère may, under specific circumstances, require Northern Telecom to purchase all or part of its equity participation in Matra Communication at a formula price, currently estimated at approximately 1.8 billion French francs (approximately US \$340 million) for all its equity participation.

### (f) ICL PLC

At December 31, 1994, Northern Telecom owned 15.6% of ICL PLC compared with 17.5% in 1993.

### (g) Mercury

At December 31, 1994 and December 31, 1993, BCE had a 20% equity interest in Mercury.

### (h) Jones

During 1994, BCE acquired a 30% interest (fully diluted) in Jones for a total cash consideration of US \$259 million; an option enabling it to acquire a controlling interest in Jones for US \$55 million; and interests in other Jones assets for US \$35 million. The option is not currently exercisable. BCE has also committed to participate in future equity financing for up to an additional US \$141 million in order to finance the growth of Jones and to maintain its ownership interest.

### (i) Bell Cablemedia plc

Effective July 22, 1994, BCE accounted for its investment in BCM using the equity method. See note 4.

(j) Investments in associated companies and joint ventures, which BCE has the ability to significantly influence, generally representing 20 to 50 per cent ownership, amounted to \$3,555 million at December 31, 1994 and \$2,312 million in 1993. The goodwill implicit in these investments amounted to \$1,366 million at December 31, 1994 and \$660 million in 1993.

## 10. Property, plant and equipment, net

At December 31	1994		1993	
	Cost	Net book value	Cost	Net book value
Land	245	245	242	242
Buildings	3,901	2,640	3,574	2,440
Plant	23,779	14,993	22,919	15,203
Machinery and equipment	7,980	3,476	7,531	3,524
Plant under construction	701	701	643	643
Material and supplies	102	102	256	256
<b>Total property, plant and equipment</b>	<b>36,708</b>	<b>22,157</b>	<b>35,165</b>	<b>22,308</b>

(\$ millions)

## 11. Debt due within one year

	(\$ millions)	
At December 31	1994	1993
Bank advances	23	20
Notes payable	1,641	1,950
Long-term debt due within one year	355	621
<b>Total debt due within one year</b>	<b>2,019</b>	<b>2,591</b>

## 12. Long-term debt

			Total outstanding	
			(\$ millions)	
At December 31			1994	1993
Issue	Interest rates	Maturities		
<b>BCE Inc.</b>				
Notes: Series 5	10.375%	June 28, 1996	250	250
Series 6	8.500%	January 31, 1997	250	250
Series 7	9.000%	August 28, 1997	300	300
Series 9 (a)	8.375%	January 30, 1998	275	245
Series 10 (b)	7.125%	May 1, 1998	346	319
Series 11	8.750%	December 15, 1999	200	—
Series 12 (c)	7.813%	December 20, 1999	105	—
Series 8 (b)	8.950%	April 1, 2002	315	289
Other			148	6
<i>Total – BCE Inc.</i>			2,189	1,659
<b>Bell Canada</b>				
First mortgage bonds: (d)	8.000% to 9.875%		—	282
Debentures and notes: (e)	5.620% to 8.875%	1997 to 2009	1,315	795
	9.000% to 9.875%	1996 to 2054	1,865	1,900
	10.000% to 10.875%	1998 to 2054	1,825	2,475
	11.000% to 13.875%	1995 to 2054	1,205	502
Other			79	93
<i>Total – Bell Canada</i>			6,289	6,047
<b>Northern Telecom</b>				
Notes: (f)	6.950% to 8.750%	1996 to 2001	1,020	911
(g)	6.000% to 9.600%	1994 to 2023	1,070	1,302
Other			67	166
<i>Total – Northern Telecom</i>			2,157	2,379
<i>Other subsidiaries</i>			1,154	985
<i>Total long-term debt</i>			11,789	11,070
Less: due within one year			355	621
<b>Long-term debt</b>			<b>11,434</b>	<b>10,449</b>



## 12. Long-term debt (continued)

- (a) Represents £125 million of debt designated as a hedge against the investment in Mercury.
- (b) Debt of \$300 million each swapped to pounds sterling principal and interest of 6.815% for Series 10 and 9.232% for Series 8, respectively, and designated as a hedge against the investment in Mercury.
- (c) Represents £50 million of debt swapped to Canadian dollar principal and interest of 8.82%.
- (d) During 1994, all outstanding first mortgage bonds were redeemed prior to maturity. The first mortgage bonds of Bell Canada were secured by a first mortgage and a floating charge.
- (e) Debentures and notes include US \$400 million maturing in 2006 and 2010; 300 million Swiss francs, due 2003, and Canadian \$380 million, due 1998 and 1999, swapped into U.S. dollar obligations as to principal and interest obligations. In December 1993, Bell Canada sold 2,000 debenture warrants for a net aggregate amount of \$48 million (US \$35 million), included in Other long-term liabilities. The warrants entitle the holders to purchase US \$200 million of 9.50% Debentures, Series ES, on October 16, 1995. If the warrants are exercised, the net proceeds from the purchase of the Series ES Debentures, together with funds from other sources, are expected to be used to redeem Bell Canada 13¾% Debentures, Series DJ, due 2010, on October 15, 1995.
- (f) Represents United States and Canadian dollar debts that have been swapped to pounds sterling.
- (g) Represents United States dollar debt.

Maturities of long-term debt outstanding at December 31, 1994 are summarized below:

At December 31	1995	1996	1997	1998	1999
Maturities	355	1,420	816	1,655	908

## 13. Preferred shares

### Authorized

The articles of incorporation of the Corporation provide for an unlimited number of First Preferred Shares and Second Preferred Shares. The articles authorize the Directors to issue such shares in one or more series and to fix the number of shares of each series, and the conditions attaching thereto, prior to their issue.

At December 31	1994		1993	
Outstanding	Number of shares	Stated capital (\$ millions)	Number of shares	Stated capital (\$ millions)
First Preferred Shares				
Series J shares (a)	600	300	600	300
\$1.95 shares, Series M (b)	8,000,000	200	8,000,000	200
Series N shares (c)	700	350	700	350
Series O shares (d)	10,000,000	379	10,000,000	379
<b>Total outstanding (e)</b>		<b>1,229</b>		<b>1,229</b>

### 13. Preferred shares (continued)

#### (a) Series J shares

The Cumulative Redeemable First Preferred Shares, Series J were issued in March 1989, by way of private placement at \$500,000 per share to yield 7.64%. The Series J preferred shareholders were entitled to cumulative annual dividends of \$38,200 per share, payable quarterly, to September 29, 1994. After that date, the dividend rate is determined by one of: direct negotiation between BCE Inc. and holders of the shares; bids solicited from investment dealers; or an auction procedure. The dividend rate is currently determined pursuant to the auction procedure under which it may not exceed 0.40% plus the Bankers' Acceptance Rate as such term is defined in the Articles of Amendment creating the Series J shares. These shares, which are non-voting except in certain circumstances where Series J preferred shareholders are entitled to 5,000 votes per share, were not redeemable prior to September 30, 1994. From that date, they are redeemable, at the Corporation's option, at a price of \$500,000 per share.

#### (b) \$1.95 shares

The \$1.95 Cumulative Redeemable Retractable First Preferred Shares, Series M were issued in April 1989, at \$25 per share to yield 7.80%. The \$1.95 preferred shareholders are entitled to cumulative annual dividends of \$1.95 per share, payable quarterly. These shares, which are non-voting except in certain circumstances where \$1.95 preferred shareholders are entitled to one vote per share, are redeemable at the holder's option on April 30, in each of the years 1995 and 1996, at \$25 per share, and on or after April 30, 1995, at the Corporation's option, at \$25 per share. BCE Inc. may elect, on or before March 16, 1995, to create a further series of preferred shares into which the \$1.95 shares will be convertible on a share for share basis, at the option of the holder, on April 30, 1995.

#### (c) Series N shares

The Cumulative Redeemable First Preferred Shares, Series N were issued in October 1989, by way of private placement at \$500,000 per share to yield 7.55%. The Series N preferred shareholders were entitled to cumulative annual dividends of \$37,750 per share, payable quarterly, to November 29, 1994. After that date, the dividend rate is determined by one of: direct negotiation between BCE Inc. and holders of the shares; bids solicited from investment dealers; or an auction procedure. The dividend rate is currently determined pursuant to the auction procedure under which it may not exceed 0.40% plus the Bankers' Acceptance Rate as such term is defined in the Articles of Amendment creating the Series N shares. These shares, which are non-voting except in certain circumstances where Series N preferred shareholders are entitled to 5,000 votes per share, were not redeemable prior to November 30, 1994. From that date, they are redeemable, at the Corporation's option, at a price of \$500,000 per share.

#### (d) Series O shares

On April 26, 1990, BCE Inc. issued 10,000,000 Variable Rate Cumulative Redeemable Retractable and Convertible First Preferred Shares, Series O. The Series O preferred shareholders are entitled to receive quarterly cumulative dividends in an amount equal to the greater of the quarterly dividend declared on common shares of BCE Inc. and \$0.65 per share. The Series O preferred shares, which are non-voting except in certain circumstances where the Series O preferred shareholders are entitled to one vote per share, are retractable at the option of the holders on April 27, 1995, at a price of \$41.75 per share. After April 28, 1995, Series O preferred shares will be redeemable, at the Corporation's option, at \$41.75 per share. On April 28, 1995, holders of Series O preferred shares may acquire, for each Series O preferred share held, one common share of BCE Inc. by the combined effect of the tendering for conversion of one Series O preferred share and the exercise of one warrant together with a cash payment of \$4.00 per warrant (see note 15 for a description of the warrants).

(e) As set forth in (b) and (d) above, the \$1.95 and the Series O preferred shares which totalled \$579 million are redeemable at the option of their holders on April 30, 1995 and 1996 and on April 27, 1995, respectively.



## 14. Common shares

**Authorized:** an unlimited number of common shares

At December 31		<b>1994</b>		<b>1993</b>	
		Number of shares	Stated capital (\$ millions)	Number of shares	Stated capital (\$ millions)
<b>Outstanding</b>		309,290,217	5,813	308,161,767	5,728
Changes in the number of common shares outstanding during the last three years:					
		<b>1994</b>		<b>1993</b>	
		Number of shares	Stated capital (\$ millions)	Number of shares	Stated capital (\$ millions)
Shares issued					
For cash					
Shareholder Dividend					
Reinvestment and					
Stock Purchase Plan	2,140,214	102		2,299,856	105
Employees' Savings Plan	—	—		571,264	28
Exercise of options	89,836	4		56,052	2
Conversion of preferred shares	—	—		126,942	3
Conversion of common					
share purchase warrants	3,000	—		—	—
Shares issued in exchange for					
shares of another company	—	—		—	—
Shares purchased for cancellation	(1,104,600)	(21)		(8,000,000)	(146)
	1,128,450	85		(4,945,886)	(8)

During the year ended December 31, 1994, the Corporation purchased on stock exchanges under a normal course issuer bid 1,104,600 of its common shares, nil in 1993 and 8,000,000 in 1992, for an aggregate price of \$53 million, nil in 1993 and \$356 million in 1992, of which \$4 million, nil in 1993 and \$27 million in 1992, was charged to contributed surplus and \$28 million, nil in 1993 and \$183 million in 1992, was charged to retained earnings.

### Shareholder Dividend Reinvestment and Stock Purchase Plan (DRP)

BCE's DRP allows shareholders of its common shares to invest cash dividends and optional cash payments in newly issued common shares of BCE. Participants may purchase shares quarterly with common share cash dividends; in addition, participants may purchase shares monthly with optional cash payments up to an aggregate sum of \$20,000 in each twelve-month period ending October 15. Optional cash payments amounted to \$17 million in 1994, \$17 million in 1993 and \$20 million in 1992.

The issue price of DRP shares is the average of the closing prices for a board lot trade of the common shares of BCE on the Montreal and Toronto stock exchanges on the five trading days immediately preceding the investment date. No price discount is offered to participants. At December 31, 1994, 10.0%, at December 31, 1993, 10.6%, and at December 31, 1992, 10.7% of the number of outstanding common shares were enrolled in the DRP.

## 14. Common shares (continued)

### Employees' Savings Plan (ESP)

The ESP enables employees of BCE and its participating subsidiaries to acquire BCE common shares through regular payroll deductions plus employer contributions, if any. The purpose of ESP is to encourage employees to own shares of the Corporation. Participation at December 31, 1994, was 43,706 employees, at December 31, 1993, 47,915 employees and at December 31, 1992, 51,785 employees.

Common shares of the Corporation are purchased by the ESP Trustee on behalf of the participants on the open market, by private purchase or from BCE, as determined from time to time by BCE. The total number of ESP shares purchased on behalf of employees, including purchases from BCE shown in the table on page 55, was 3,690,295 at December 31, 1994, 4,608,019 at December 31, 1993, and 4,752,845 at December 31, 1992.

### Stock options

Under the Long-Term Incentive (Stock Option) Program (1985) (the Plan), options may be granted to officers and other key employees of the Corporation and of its subsidiaries to purchase common shares of the Corporation at a subscription price of 100% of market value on the last trading day prior to the effective date of the grant. The options are exercisable during a period not to exceed ten years. The right to exercise options generally accrues over a period of four years of continuous employment. Options are not generally exercisable during the first twelve months after the date of the grant. Simultaneously with the grant of an option, the employee may also be granted the right to a special compensation payment (SCP). The amount of any SCP is equal to the increase in market value of the number of the BCE Inc. shares covered by the SCP (which number may not exceed the number of shares covered by the option to which it is related) from the date of grant of the SCP to the date of exercise of the option to which the SCP is related. Shares covered by options granted with respect to any year may not exceed one-half of one per cent of the outstanding common shares of the Corporation at the end of the immediately preceding year.

At December 31, 1994, a total of 4,483,263 common shares remained authorized for issuance under the Plan.

Details of stock options are as follows:

	Number	Option price
<b>1992</b>		
Granted	195,631	\$48.6875
Exercised	(56,052)	\$36.8125 – \$43.2500
Cancelled	(1,121)	\$40.1250
Outstanding, end of year	905,950	\$36.7500 – \$48.6875
Exercisable, end of year	539,247	\$36.7500 – \$48.6875
<b>1993</b>		
Granted	189,718	\$42.3750 – \$43.5000
Exercised	(243,662)	\$36.8125 – \$43.2500
Cancelled	(2,050)	\$40.1250
Outstanding, end of year	849,956	\$36.7500 – \$48.6875
Exercisable, end of year	526,935	\$36.7500 – \$48.6875
<b>1994</b>		
Granted	334,460	\$45.2500 – \$47.0000
Exercised	(89,836)	\$36.7500 – \$48.6875
Cancelled	(7,085)	\$40.1250 – \$48.6875
Outstanding, end of year	1,087,495	\$36.8125 – \$48.6875
Exercisable, end of year	593,180	\$36.8125 – \$48.6875



#### 14. Common shares (continued)

In addition, SCPs have been granted as follows: 149,677 in 1992, 138,042 in 1993 and 293,171 in 1994. At December 31, 1994, 901,988 SCPs covering the same number of shares as the options to which they are related are outstanding.

**Additional common shares reserved at December 31, 1994 – 26,936,915:**

- 7,375,397 shares for issuance under the Shareholder Dividend Reinvestment and Stock Purchase Plan.
- 9,564,518 shares for issuance under the Employees' Savings Plan.
- 9,997,000 shares for issuance upon exercise of warrants and/or conversion of Series O preferred shares.

On July 28, 1994, BCE Inc. filed a notice of a normal course issuer bid allowing the Corporation to purchase for cancellation up to five million (approximately 1.6 per cent) of its common shares outstanding during the period from August 3, 1994 through August 2, 1995.

On July 29, 1993, BCE Inc. filed a notice of a normal course issuer bid allowing the Corporation to purchase for cancellation up to five million (approximately 1.6 per cent) of its common shares outstanding during the period from August 3, 1993 through August 2, 1994. No shares were repurchased under this program in 1993.

#### 15. Common share purchase warrants

On December 31, 1994, there were 9,997,000 common share purchase warrants outstanding and 10,000,000 in 1993. These warrants were issued concurrently with the Series O preferred shares on April 26, 1990, for \$38.5 million. The warrants will expire on April 28, 1995 and entitle their holders to subscribe for one BCE Inc. common share for each warrant for either \$45.75 in cash, or, on April 28, 1995, a cash payment of \$4.00 and the tendering for conversion of one Series O preferred share (see also note 13(d)).

#### 16. Foreign currency translation adjustment

The net unrealized foreign currency translation represents gains or losses on the Corporation's net investments in self-sustaining foreign operations. Also included are the effects of exchange rate changes on transactions designated as hedges of net foreign investments.

The change in the foreign currency translation adjustment during the year ended December 31, 1994, of \$121 million resulted from the weakening of the Canadian dollar.

## 17. Commitments and contingent liabilities

### a) Lease commitments

At December 31, 1994, the future minimum lease payments under capital leases and operating leases with initial non-cancellable lease terms in excess of one year were:

		(\$ millions)
	Capital leases	Operating leases
1995	14	299
1996	12	229
1997	7	165
1998	6	129
1999	6	75
Thereafter	26	377
Total future minimum lease payments	71	1,274
Less: estimated executory costs	2	
Net minimum lease payments	69	
Less: imputed interest	24	
<b>Total capital leases as at December 31, 1994</b>	<b>45</b>	

Rental expense applicable to operating leases for the year 1994 was \$423 million, \$417 million in 1993 and \$405 million in 1992.

### b) Litigation

Certain holders of Northern Telecom securities have commenced three purported class actions in the United States District Court for the Southern District of New York alleging that Northern Telecom and certain of its officers violated the Securities Exchange Act of 1934 and common law by making material misstatements of, or omitting to state, material facts relating to the business operations and prospects and financial condition of Northern Telecom. Due to the early stages of these actions, Northern Telecom cannot determine whether these actions will have a material adverse impact on its consolidated financial position or results of operations.

In addition, in the normal course of operations, BCE becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at December 31, 1994, cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on BCE's consolidated financial position or results of operations.



## 18. Changes in working capital

The decrease (increase) in working capital, excluding cash and debt due within one year, comprises:

	1994	1993	1992
			(\$ millions)
<b>Decrease (increase) in current assets:</b>			
Accounts receivable	193	(508)	(700)
Inventories	(14)	(351)	(193)
Prepaid expenses	(26)	(12)	2
Deferred income taxes	(24)	(141)	21
<b>Increase (decrease) in current liabilities:</b>			
Accounts payable and accrued liabilities	45	(412)	849
Income and other taxes payable	95	2	18
<b>Decrease (increase) in working capital excluding cash and debt due within one year</b>	<b>269</b>	<b>(1,422)</b>	<b>(3)</b>

## 19. Pensions

The following table sets forth the financial position of the pension plans and BCE's net pension asset:

	1994	1993
		(\$ millions)
At December 31		
<b>Net assets available for plan benefits</b>		
– at market-related value	12,076	11,478
Actuarial present value of plan benefits		
Accumulated plan benefits		
Vested	8,374	7,362
Non-vested	857	912
Effect of salary projections	9,231	8,274
	1,970	2,066
<b>Projected plan benefits</b>	<b>11,201</b>	<b>10,340</b>
<b>Excess of plan assets at market-related value over projected plan benefits</b>	<b>875</b>	<b>1,138</b>
Unrecognized net experience gains	(962)	(1,153)
Unrecognized net assets existing at January 1, 1987	(97)	(98)
Other unrecognized plan amendments	337	334
<b>Net pension asset reflected on the consolidated balance sheets</b>	<b>153</b>	<b>221</b>
Deferred pension asset (included in deferred charges)	436	497
Deferred pension obligation (included in other long-term liabilities)	(283)	(276)
<b>Net pension asset</b>	<b>153</b>	<b>221</b>

## 19. Pensions (continued)

Experience gains and losses, the unrecognized net plan assets existing at January 1, 1987 and plan amendments are amortized over the employees' average remaining working lives (14 years at December 31, 1994).

The components of BCE's pension expense follow:

	1994	1993	1992
			(\$ millions)
Service cost – benefits earned	298	298	273
Interest cost on projected plan benefits	879	831	798
Expected return on plan assets	(956)	(954)	(913)
Net amortization	8	(2)	(21)
<b>Pension expense</b>	<b>229</b>	<b>173</b>	<b>137</b>

Pension expense was calculated using a value of assets adjusted to market over periods ranging from 3 to 5 years. The weighted average discount rate used in determining the accumulated and accrued plan benefits, and the weighted average assumed long-term rate of return on plan assets, was 8.4% in 1994, 8.5% in 1993 and 8.7% in 1992.

In addition to pension benefits, the Corporation and most of its subsidiary companies provide certain health care and life insurance benefits for retired employees. The costs of such benefits amounted to \$35 million in 1994, \$34 million in 1993 and \$29 million in 1992.

## 20. Reconciliation of earnings reported in accordance with Canadian generally accepted accounting principles (GAAP) with United States GAAP

	1994	1993	1992
			(\$ millions except per share amounts)
<b>Net earnings (loss) – Canadian GAAP</b>	<b>1,178</b>	<b>(656)</b>	<b>1,390</b>
Adjustments			
Postretirement benefits other than pensions (OPEBs) (a)			
Impact of change in accounting policy as at January 1, 1993 for non-regulated entities	–	(141)	–
Current year impact	(52)	(64)	–
Postemployment benefits (b)			
Impact of change in accounting policy as at January 1, 1994	(51)	–	–
Current year impact	(10)	–	–
Income taxes (c)			
Impact of change in accounting policy as at January 1, 1993	–	135	–
Current year impact	(20)	–	–
Foreign exchange (d)	(37)	(27)	(73)
Other	–	(11)	(7)
<b>Net earnings (loss) – U.S. GAAP</b>	<b>1,008</b>	<b>(764)</b>	<b>1,310</b>
<b>Net earnings (loss) per share – Canadian GAAP</b>	<b>3.52</b>	<b>(2.44)</b>	<b>4.21</b>
<b>– U.S. GAAP</b>	<b>2.97</b>	<b>(2.79)</b>	<b>3.95</b>



## 20. Reconciliation of earnings reported in accordance with Canadian generally accepted accounting principles (GAAP) with United States GAAP (continued)

### (a) Postretirement benefits other than pensions (OPEBs)

The costs of OPEBs, such as health and life insurance benefits for retirees, are generally charged to earnings as incurred. The Financial Accounting Standards Board (FASB) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" requires the accrual of actuarially determined postretirement benefit costs as active employees earn these benefits.

The new standard allows companies to recognize the accumulated obligation for postretirement benefits either in the year of the adoption or prospectively. For the purpose of reporting under U.S. GAAP, BCE has chosen to recognize on January 1, 1993, a transitional obligation of \$141 million for its non-regulated entities.

In reporting the impact of the adoption of the statement No. 106, the Corporation has assumed that in setting rates for BCE's regulated entities, the CRTC would take such standard, including any transitional obligation, into account. Accordingly, the accumulated transitional obligation (i.e., employees' service prior to adopting the new method of accounting effective January 1, 1993) is amortized over 20 years. If the past service costs for the regulated entities had been recognized retroactively, BCE's transitional obligation as at January 1, 1993, would have increased by \$431 million, and BCE's 1993 loss under U.S. GAAP would have increased by a net amount of \$409 million (an additional impact of \$1.33 on U.S. GAAP E.P.S.).

### (b) Postemployment benefits

The costs of postemployment benefits are generally recognized as claims are incurred. Effective January 1, 1994, for the purpose of reporting under U.S. GAAP, the Corporation adopted FASB No. 112 "Employers' Accounting for Postemployment Benefits." Statement No. 112 requires accrual of the postemployment benefits at the occurrence of an event that renders an employee inactive. In accordance with the new statement, the Corporation has recognized in its earnings a transitional obligation of \$51 million (net of applicable income taxes of \$39 million).

### (c) Income taxes

The Corporation adopted FASB No. 109, "Accounting for Income Taxes" effective January 1, 1993. In adopting Statement No. 109, the Corporation adjusted its net deferred income tax liability for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, computed based on provisions of the enacted tax law.

### (d) Foreign exchange

Under FASB Statement No. 52, unrealized foreign exchange translation gains and losses on long-term monetary assets and liabilities are reported in earnings immediately rather than deferred and amortized over the remaining lives of the related items.

## 21. Unused bank lines of credit

At December 31, 1994, unused bank lines of credit available to BCE, generally at the prime bank rate of interest, amounted to approximately \$3.4 billion.

# SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

<b>(unaudited)</b>	<b>1994</b>	<b>1993</b>
<b>Statement of operations data (\$ millions)</b>		
<b>Revenues</b>	21,670	19,827
Earnings from continuing operations	1,178	159
Earnings (loss) from discontinued operations	—	(815)
<b>Net earnings (loss)</b>	1,178	(656)
<b>Net earnings (loss) applicable to common shares</b>	1,086	(750)
<b>Balance sheet data (\$ millions)</b>		
Total assets	38,092	36,708
Notes payable	1,641	1,950
Long-term debt (including current portion)	11,789	11,070
Non-controlling interest	3,977	3,505
Preferred shares	1,229	1,229
Common equity	10,123	9,694
Capital expenditures	2,811	3,210
<b>Common share data</b>		
<b>Earnings (loss) per share</b>		
Continuing operations	3.52	0.21
Discontinued operations	—	(2.65)
<b>Net earnings (loss) per share</b>	3.52	(2.44)
Dividends declared per common share	2.69	2.65
Equity per common share	32.73	31.46
Return on average common equity	11.1%	(7.1)%
<b>Other data</b>		
Network access services (thousands)	10,301	10,015
Number of employees (thousands)	116	118

## Quarterly financial data (unaudited)

(\$ millions, except per share amounts)

	4th Quarter		
	<b>1994</b>	<b>1993</b>	<b>1992</b>
<b>Revenues</b>	6,181	5,653	5,599
Operating earnings (loss)	1,006	912	1,371
Earnings (loss) from continuing operations	318	261	560
Earnings (loss) from discontinued operations	—	(770)	(32)
<b>Net earnings (loss)</b>	318	(509)	528
<b>Net earnings (loss) applicable to common shares</b>	297	(532)	505
<b>Earnings (loss) per share</b>			
Continuing operations	0.96	0.77	1.76
Discontinued operations	—	(2.50)	(0.11)
<b>Net earnings (loss) per share</b>	0.96	(1.73)	1.65
Average number of common shares outstanding (millions)	309.2	307.6	305.3

## RECONCILIATION OF EARNINGS REPORTED IN ACCORDANCE WITH CANADIAN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) WITH UNITED STATES GAAP (UNAUDITED)

(\$ millions, except per share amounts)

	4th Quarter		
	<b>1994</b>	<b>1993</b>	<b>1992</b>
<b>Net earnings (loss) – Canadian GAAP</b>	318	(509)	528
Net adjustments	(77)	(61)	(19)
<b>Net earnings (loss) – U.S. GAAP</b>	241	(570)	509
<b>Earnings (loss) per share</b>			
– Canadian GAAP	0.96	(1.73)	1.65
– U.S. GAAP	0.71	(1.93)	1.59



1992	1991	1990	1989	1988	1987	1986	1985	1984
19,572	18,494	16,921	15,795	14,635	14,485	13,707	12,969	10,735
1,486	1,307	1,103	1,164	853	1,070	974	1,007	935
(96)	22	44	(403)	(7)	6	5	2	—
1,390	1,329	1,147	761	846	1,076	979	1,009	935
1,295	1,235	1,062	724	841	1,043	941	967	889
36,656	33,652	30,062	28,649	25,988	23,797	21,576	19,506	17,396
2,067	1,343	1,408	1,687	1,742	712	227	200	513
9,303	8,767	7,788	7,471	6,511	5,972	5,052	5,041	4,609
3,976	3,648	3,175	2,790	2,342	2,292	2,134	1,798	1,349
1,229	1,232	1,235	858	13	243	257	313	378
11,078	10,727	10,090	9,548	9,214	8,885	8,217	7,200	6,252
3,715	3,261	3,284	3,177	3,052	2,853	2,306	2,218	1,966
4.52	3.94	3.35	3.79	2.97	3.85	3.63	4.04	4.01
(0.31)	0.07	0.15	(1.36)	(0.02)	0.02	0.02	0.01	—
4.21	4.01	3.50	2.43	2.95	3.87	3.65	4.05	4.01
2.61	2.57	2.53	2.49	2.45	2.41	2.37	2.30	2.205
36.28	34.57	33.04	31.61	31.82	32.44	30.97	29.26	26.78
12.0%	12.0%	10.8%	7.6%	9.2%	12.3%	12.1%	14.5%	15.8%
9,768	9,539	9,300	8,986	8,472	8,117	7,746	7,424	7,145
124	124	119	120	115	116	109	108	108

3rd Quarter			2nd Quarter			1st Quarter		
1994	1993	1992	1994	1993	1992	1994	1993	1992
5,177	4,790	4,760	5,304	4,659	4,668	5,008	4,725	4,545
931	689	954	759	(997)	846	806	751	857
386	167	321	223	(493)	309	251	224	296
—	(15)	(3)	—	(27)	(63)	—	(3)	2
386	152	318	223	(520)	246	251	221	298
362	128	294	200	(544)	223	227	198	273
1.17	0.47	0.97	0.65	(1.69)	0.93	0.74	0.66	0.87
—	(0.05)	(0.01)	—	(0.08)	(0.21)	—	(0.01)	0.01
1.17	0.42	0.96	0.65	(1.77)	0.72	0.74	0.65	0.88
308.6	307.4	305.2	308.8	306.8	309.0	308.6	306.0	311.0

3rd Quarter			2nd Quarter			1st Quarter		
1994	1993	1992	1994	1993	1992	1994	1993	1992
386	152	318	223	(520)	246	251	221	298
6	(36)	(36)	1	(19)	(3)	(100)	8	(22)
392	116	282	224	(539)	243	151	229	276
1.17	0.42	0.96	0.65	(1.77)	0.72	0.74	0.65	0.88
1.20	0.30	0.84	0.65	(1.83)	0.71	0.41	0.67	0.81



# Board of Directors

## **Peter A. Allen**

Toronto, Ontario  
President  
Anchises Investments Ltd.  
(resource and scientific  
research investment  
company)  
Mr. Allen has served as a  
director since May 1988  
and is a member of the  
Audit Committee.

## **Ralph M. Barford**

Toronto, Ontario  
President  
Valleydene Corporation  
Limited  
(private investment  
company)  
Mr. Barford has served  
as a director since April  
1987 and is the chair-  
man of the Management  
Resources and  
Nominating Committee.  
He is also a director of  
Northern Telecom  
Limited.

## **Warren Chippindale, F.C.A.**

Mont-Tremblant,  
Quebec  
Company  
Director/Consultant  
Mr. Chippindale has  
served as a director since  
May 1986 and is the  
chairman of the Audit  
Committee. He is also a  
director of Bell Canada  
and BCE Mobile  
Communications Inc.

## **J.V. Raymond Cyr, O.C.**

Montreal, Quebec  
Chairman of the Board,  
Bell Canada  
Former Chairman of  
BCE Inc.  
Mr. Cyr has served as a  
director since October  
1984 and is a member of  
the Pension Fund Policy  
Committee. He is also a  
director of Northern  
Telecom Limited, BCE  
Mobile Communications  
Inc., BCE Ventures Inc.,  
Telelobe Inc., Telesat  
Canada, TMI  
Communications Inc.  
and Spar Aerospace  
Limited, in all of which  
BCE has interests.

## **C. William Daniel, O.C.**

North York, Ontario  
Company  
Director/Consultant  
Mr. Daniel has served as  
a director since April  
1983 and is a member of  
the Management  
Resources and  
Nominating  
Committee.

## **Jeannine Guillevin Wood**

Montreal, Quebec  
Chairman of the Board  
and Chief Executive  
Officer  
Guillevin International  
Inc.  
(distributor of electrical  
products)  
Mrs. Guillevin Wood  
has served as a director  
since May 1989 and is a  
member of the Audit  
Committee.

## **The Honourable Donald J. Johnston, P.C., Q.C.**

Montreal, Quebec  
Legal Counsel  
Heenan Blaikie  
(law firm)  
Mr. Johnston has served  
as a director since May  
1989 and is a member of  
the Pension Fund Policy  
Committee.

## **Gerald J. Maier**

Calgary, Alberta  
Chairman of the Board  
TransCanada PipeLines  
Limited  
(natural gas transporta-  
tion and marketing  
company)  
Mr. Maier has served as  
a director since January  
1987 and is a member of  
the Pension Fund Policy  
Committee.

## **E. Neil McKelvey, O.C., Q.C.**

Saint John,  
New Brunswick  
Counsel  
Stewart McKelvey  
Stirling Scales  
(law firm)  
Mr. McKelvey has  
served as a director since  
April 1973 and is a  
member of the Audit  
Committee.

## **J. Edward Newall, O.C.**

Calgary, Alberta  
Vice-Chairman and  
Chief Executive Officer  
NOVA Corporation Ltd.  
(natural gas services and  
petrochemicals com-  
pany)  
Mr. Newall has served as  
a director since May  
1989 and is a member  
of the Management  
Resources and  
Nominating  
Committee.

## **Alastair H. Ross**

Calgary, Alberta  
President  
Allaro Resources Ltd.  
(private oil and gas  
exploration company)  
Mr. Ross has served as a  
director since May 1985  
and is a member of the  
Audit Committee.

## **C. Richard Sharpe**

Mississauga, Ontario  
Chairman of the Board  
Sears Canada Inc.  
(retail department stores  
and catalogue sales)  
Mr. Sharpe has served as  
a director since May  
1988 and is a member of  
the Management  
Resources and  
Nominating  
Committee. He is also a  
director of Bell Canada.

## **Louise B. Vaillancourt, C.M.**

Outremont, Quebec  
Company Director  
Mrs. Vaillancourt has  
served as a director since  
January 1975 and is the  
chairman of the Pension  
Fund Policy Committee.

## **L.R. Wilson**

Montreal, Quebec  
Chairman, President  
and Chief Executive  
Officer  
BCE Inc.  
Mr. Wilson served as a  
director from May 1985  
to September 1989 and  
continuously since  
November 1990 and is a  
member of the Pension  
Fund Policy Committee.  
He is also a director of  
Bell Canada, Northern  
Telecom Limited, BCE  
Mobile Communications  
Inc. and Telelobe Inc.

## **Members of Committees of the Board**

### **Audit**

W. Chippindale –  
Chairman  
P.A. Allen  
J. Guillevin Wood  
E.N. McKelvey  
A.H. Ross

### **Management Resources and Nominating**

R.M. Barford –  
Chairman  
C.W. Daniel  
J.E. Newall  
C.R. Sharpe

### **Pension Fund Policy**

L.B. Vaillancourt –  
Chairman  
J.V.R. Cyr  
D.J. Johnston  
G.J. Maier  
L.R. Wilson



## Committees of the Board

BCE has established permanent committees of the Board of Directors to permit continuing review in the areas of auditing, management resources and nominating, and pension fund policy.

The *Audit Committee* reviews the Corporation's financial statements and related data prior to submission to the full Board. It advises the Board on the adequacy, accuracy and timeliness of financial reports; on the efficacy of internal accounting, auditing and control procedures; and ensures that BCE continues to meet high standards of disclosure, fully compliant with all external requirements and reporting standards.

The Audit Committee also advises the Board on the selection of the shareholders' auditors and meets, both separately and together, with the auditors and management. BCE's Audit Committee consists entirely of outside directors, i.e., directors who are not officers of BCE or its subsidiaries. The Audit Committee met five times during 1994.

The *Management Resources and Nominating Committee* recommends candidates for appointment or election to the Board and the appointment of the chief executive officer, ensures that qualified personnel will be available for appointment to officer and other management ranks, assesses the performance of the CEO and officers and establishes the compensation philosophy and remuneration of officers. All members of the committee are outside directors. The Management Resources and Nominating Committee met six times during 1994.

The *Pension Fund Policy Committee* advises the Board on policy with respect to the administration, funding and investment of the BCE pension plan and with respect to the unitized pooled fund sponsored by BCE for the collective investment of the BCE pension fund and the pension funds of participating subsidiaries. This unitized pooled fund is called the BCE Master Trust Fund. The Pension Fund Policy Committee also oversees the administration and investment both of the BCE pension plan and of the BCE Master Trust Fund. The Pension Fund Policy Committee met three times during 1994.

# Corporate Officers

**L.R. Wilson**  
*Chairman,  
President and  
Chief Executive  
Officer*

**Derek H. Burney**  
*Executive  
Vice-President,  
International*

**Ronald W. Osborne**  
*Executive  
Vice-President  
and Chief  
Financial Officer*

**Thomas J. Bourke**  
*Group Vice-  
President,  
Directories*

**J. Derek M. Davies**  
*Senior  
Vice-President,  
Corporate  
Strategy*

**Josef J. Fridman**  
*Senior  
Vice-President,  
Law and  
Corporate  
Secretary*

**Charles A. Labarge**  
*Vice-President,  
Corporate  
Services*

**Frederick J. Andrew**  
*Vice-President  
and Treasurer*

**David A. Lazzarato**  
*Vice-President  
and Comptroller*

**Siim Vanaselja**  
*Vice-President,  
Taxation*

Shaul I. Ezer  
Assistant General  
Counsel – Projects

Marc Girard  
Assistant Treasurer –  
Corporate

Howard N. Hendrick  
Assistant Treasurer –  
Investor Relations

Andrea LeBlanc  
Assistant Vice-President,  
International Taxation

Yves Magnan  
Assistant Vice-President,  
Taxation

Monique Mercier  
Assistant General  
Counsel – Corporate

Marc J. Ryan  
General Counsel

Ida Teoli  
Assistant Vice-President,  
Corporate  
Communications



# Shareholder Information

## Information on BCE Common Shares

Price ranges of common shares	1994		1993	
	High	Low	High	Low
Montreal and Toronto				
1st quarter	52.875	45.250	47.000	40.750
2nd quarter	50.375	44.000	46.625	43.000
3rd quarter	49.250	44.625	45.625	42.000
4th quarter	48.625	43.750	46.750	42.875
NYSE consolidated tape (US \$)				
1st quarter	38.750	34.250	38.000	32.000
2nd quarter	36.375	31.750	36.125	33.500
3rd quarter	36.500	32.375	35.750	32.000
4th quarter	36.000	31.625	35.625	32.375

### Dividends on Common Shares\*

Declared	Record date	Payment Date
February 22, 1995	March 15, 1995	April 15, 1995
May 24, 1995	June 15, 1995	July 15, 1995
August 23, 1995	September 15, 1995	October 15, 1995
November 22, 1995	December 15, 1995	January 15, 1996

\*Subject to approval by the Board of Directors

The financial results for each quarter will be released following meetings of the Board of Directors on the following dates:

First Quarter	April 26, 1995
Second Quarter	July 26, 1995
Third Quarter	October 25, 1995
Fourth Quarter	January 24, 1996

### Transfer offices and registrar for shares

Canada	Montreal Trust Company (514) 982-7555 1 800 561-0934 (toll free in Canada and the U.S.)
New York	Bank of Montreal Trust Company (212) 701-7650
London	The R-M Trust Company (44) 81 478 1888

### Dividends

Quarterly dividends of \$0.67 per common share were paid in 1994 (\$0.66 in 1993).

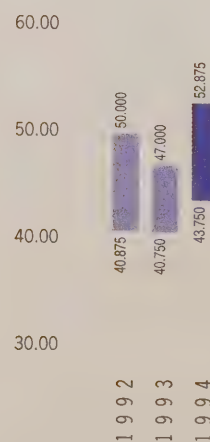
On November 23, 1994, the Board of Directors declared an increase in the dividend on common shares. The final 1994 quarterly dividend, paid on January 15, 1995, was raised to \$0.68. The indicated annual rate is now \$2.72, an increase of \$0.04 over the previous annual dividend.

### Number of shareholders

At December 31, 1994, there were 309,290,217 BCE common shares outstanding and 224,874 registered shareholders. Some 67% of BCE common shares outstanding are now held by the major depositories for securities, reflecting the continuing shift in holdings from registered shareholders to nominees. At the same date, there were 18,001,300 preferred shares outstanding, and 336 registered shareholders. Some 97% of preferred shares are held by depositories.

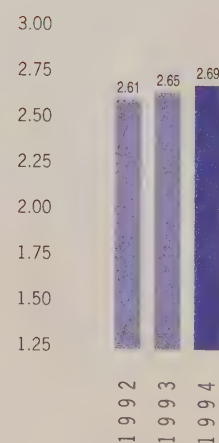
### Market prices per common share

(Canadian \$)



### Declared dividend growth

(Canadian \$)





### **Dividend Reinvestment and Stock Purchase Plan (DRP)**

Shareholders wishing to acquire additional common shares of BCE Inc. can take advantage of the Shareholder Dividend Reinvestment and Stock Purchase Plan. This plan provides a convenient method for eligible holders of BCE common shares to reinvest all of their common share cash dividends in new common shares of BCE.

Shareholders can also make optional cash payments of up to Cdn \$20,000 in each 12-month period ending on October 15.

Participating shareholders pay no brokerage commission or service charge of any kind and all administrative costs of the plan are borne by the Corporation.

### **Payment of dividends – direct deposit**

BCE Inc. shareholders resident in Canada may have their dividend cheques deposited directly to their personal account at most banks or other financial institutions. This service permits shareholders to arrange for the timely deposit of their dividend payments in a manner that is reliable, secure and convenient.

### **U.S. resident shareholders – choice of dollar-denominated dividend payments**

Holders of common shares who are resident in the United States and have not elected to have their cash dividends reinvested in DRP have their dividends converted to and paid in U.S. funds, unless instructions to pay in Canadian funds are received.

### **Multiple mailings**

In some cases, where a shareholder holds more than one class of securities, or when holdings are registered differently, the shareholder may receive more than one copy of publications such as annual reports. In such cases, please advise the Montreal Trust Company.

### **Do you wish to receive quarterly reports?**

As BCE's results are published in the financial press shortly after the end of each quarter, an increasing number of BCE shareholders have elected not to receive quarterly reports. This results in a saving in both paper and expense.

Quarterly reports will be mailed only to those shareholders who have specifically asked to receive them. If you wish to receive quarterly reports, please advise the Montreal Trust Company.

### **Canadian taxes on foreign investors**

#### **Income taxes**

Dividends (including stock dividends) on BCE shares paid or credited to non-residents of Canada are subject to withholding tax at 25%, unless reduced by treaty.

Under the United States-Canada Income Tax Convention, a withholding tax of 15% applies to BCE dividends paid or credited to individuals residing in the United States, or to corporations organized under the laws of the United States which do not have a "permanent establishment" or a "fixed base" in Canada.

A U.S. holder of BCE common shares may be entitled to either a deduction or a credit for the Canadian withholding tax paid on BCE dividends. If a U.S. shareholder elects to claim a credit against the U.S. federal income taxes payable, he may do so by filing form 1116, "Computation of Foreign Tax Credit". Once a U.S. holder elects to claim a foreign tax credit, this choice applies to all foreign taxes paid to all foreign countries and no portion may be deducted from gross income.

Gains on disposals of BCE shares by non-residents of Canada are generally not subject to Canadian income tax, unless realized by the holder in connection with a business (including an "adventure in the nature of trade") carried on in Canada.

#### **Estate and succession duties**

There are no estate taxes or succession duties imposed by Canada or by any province of Canada.

#### **Stock Exchange Listings**

Montreal, Toronto, Vancouver, New York, London, Zurich, Basel, Geneva, Tokyo.

#### **Foreign ownership of BCE shares**

Under the Canadian Telecommunications Act, BCE Inc. is considered a "carrier holding corporation" and, as such, is permitted a registered foreign ownership level of 33⅓% of its common voting shares. At December 31, 1994, the registered foreign ownership of BCE common shares was some 15%.

#### **Important share prices for the calculation of Canadian Capital Gains Tax**

Valuation Day, December 22, 1971 (as adjusted for the 1979 three-for-one stock split): \$15.63

Fair market value, February 22, 1994: \$48.50





# Corporate Directory

## **BCE Inc.**

1000, rue de La Gauchetière O.  
Bureau 3700  
Montréal (Québec)  
H3B 4Y7

## **Corporate Communications**

tel: (514) 397-7267  
fax: (514) 397-7157

## **Investor Relations**

tel: (514) 397-7114 or  
1 800 339-6353  
fax: (514) 397-7321

## **Shareholder account and dividend inquiries**

The Montreal Trust Company  
PO Box 1100, Station B  
Montréal (Québec)  
H3B 3K9  
tel: (514) 982-7555 or  
1 800 561-0934  
fax: (514) 982-7635

## **Canadian Telecommunications Bell Canada**

**Public Affairs – Montreal**  
700, rue de La Gauchetière O.  
Bureau 26-Ouest-1  
Montréal (Québec)  
H3B 4L1  
tel: (514) 870-7000  
fax: (514) 876-8726

## **Public Affairs – Toronto**

483 Bay Street  
Floor 5, South Tower  
Toronto, Ontario  
M5G 2E1  
tel: (416) 581-4130  
fax: (416) 593-1057

## **Bruncor Inc.**

**Corporate Communications**  
One Brunswick Square  
Saint John, New Brunswick  
E2L 4L4  
tel: (506) 694-6047  
fax: (506) 658-7163

## **The Island Telephone Company Limited**

**Corporate Communications**  
69 Belvedere Avenue  
Charlottetown, PEI  
C1A 7M1  
tel: (902) 421-1777  
fax: (902) 453-5221

**Maritime Telegraph and  
Telephone Company, Limited**  
**Corporate Communications**  
1505 Barrington Street  
Halifax, Nova Scotia  
B3J 2W3  
tel: (902) 421-4534  
fax: (902) 425-1274

## **NewTel Enterprises Limited**

**Public Relations**  
Fort William Building  
10 Factory Lane  
St. John's, Newfoundland  
A1C 6H5  
tel: (709) 739-2108  
fax: (709) 739-3155

## **Northern Telephone Limited**

25 Paget Street  
New Liskeard, Ontario  
P0J 1P0  
tel: (705) 647-7311  
fax: (705) 647-3592

## **Northwest Inc.**

**Corporate Communications**  
301 Lambert Street  
Whitehorse, Yukon  
Y1A 4Y4  
tel: (403) 668-5328  
fax: (403) 667-2349

## **Télébec Itée**

**Communications**  
7151, rue Jean-Talon E.  
Bureau 310  
Anjou (Québec)  
H1M 3N8  
tel: (514) 493-5335  
fax: (514) 493-5389

## **BCE Mobile Communications Inc.**

**Corporate Communications**  
8501, route Transcanadienne  
Saint-Laurent (Québec)  
H4S 1Z1  
tel: (514) 421-3091  
fax: (514) 953-8898

## **Expressvu Inc.**

2055 Flavelle Blvd  
Mississauga, Ontario  
L5K 1Z8  
Information  
1 800 339-6908

## **MediaLinx Interactive Inc.**

**Communications**  
181 Bay Street  
Suite 350  
Toronto, Ontario  
M5J 2T3  
tel: (416) 350-1515  
fax: (416) 350-1516

## **WorldLinx Telecommunications Inc.**

**Communications**  
181 Bay Street  
Suite 350  
Toronto, Ontario  
M5J 2T3  
tel: (416) 350-1000  
fax: (416) 350-1001

## **Teleglobe Inc.**

**External Communications**  
1000, rue de La Gauchetière O.  
Montréal (Québec)  
H3B 4X5  
tel: (514) 868-8579  
fax: (514) 868-8402

## **Telesat Canada**

1601 Telesat Court  
Ottawa, Ontario  
K1B 5P4  
tel: (613) 748-0123  
fax: (613) 748-8712

## **TMI Communications Inc.**

**Corporate Communications**  
1601 Telesat Court  
Ottawa, Ontario  
K1B 5P4  
tel: (613) 742-4106  
fax: (613) 742-4100

## **Bell Canada**

**International  
Bell Canada International Inc.**  
**Corporate Affairs**  
1000, rue de La Gauchetière O.  
Bureau 1100  
Montréal (Québec)  
H3B 4Y8  
tel: (514) 392-2418  
fax: (514) 392-2329

## **BCI Incorporated**

5160 Parkstone Drive  
Suite 190  
Chantilly, Virginia  
22021-3813  
tel: (703) 222-8300  
fax: (703) 222-0205

## **Bell Cablemedia plc**

**Corporate Affairs**  
Colne House  
Upton Road  
Watford  
Hertfordshire WD1 7EL  
United Kingdom  
tel: (44) 1-923-444000  
fax: (44) 1-923-444004

## **Mercury Communications Limited**

**Press and Public Relations**  
26 Red Lion Square  
London WC1R 4HQ  
United Kingdom  
tel: (44) 1-71-528-2217  
fax: (44) 1-71-528-2577

## **CLEAR Communications Limited**

**Public Affairs**  
CLEAR Tower  
49 Symonds Street  
Auckland, New Zealand  
tel: (64) 9-912-4562  
fax: (64) 9-912-4442

## **Comunicación Celular S.A. (COMCEL)**

**Public Affairs**  
Calle 90, No. 14/37  
Santafé de Bogotá (D.C.)  
Colombia  
tel: (57) 1-616-9797  
fax: (57) 1-616-9975

## **Jones Intercable, Inc.**

**Corporate Communications**  
9697 East Mineral Avenue  
Englewood, Colorado 80112  
tel: (303) 792-3111  
fax: (303) 799-1644

## **Directories**

**Tele-Direct (Publications) Inc.**  
1600, boul. René-Lévesque O.  
Montréal (Québec)  
H3H 1P9

## **Communications – Toronto**

tel: (416) 412-5669  
fax: (416) 412-5678

## **Northern Telecom**

**Northern Telecom Limited  
Media and Public Relations**  
3 Robert Speck Parkway  
Mississauga, Ontario  
L4Z 3C8  
tel: (905) 566-3135  
fax: (905) 566-4660

## **Northern Telecom Limited Media and Public Relations**

2010 Corporate Ridge  
McLean, Virginia  
22102-7838  
tel: (703) 712-8528  
fax: (703) 712-8976

## **Northern Telecom Inc.**

**Public Affairs**  
2221 Lakeside Boulevard  
Richardson, Texas  
75082-4399  
tel: (214) 684-5909  
fax: (214) 684-3726

## **Northern Telecom Europe Limited**

**Communications**  
Safferton Way  
Maidenhead, Berkshire  
SL6 1AY  
United Kingdom  
tel: (44) 1-628-812066  
fax: (44) 1-628-812496

## **Northern Telecom (CALA) Corporation**

**Public Affairs**  
14645 Northwest 77th Ave.  
Miami Lakes, Florida  
33014  
tel: (305) 526-8343  
fax: (305) 526-8392

## **Northern Telecom (Asia) Limited**

**Communications**  
Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong  
tel: (852) 2-585-2191  
fax: (852) 2-585-2196

## **Bell-Northern Research Ltd. Corporate Communications**

3500 Carling Avenue  
Nepean, Ontario  
K2H 8E9  
tel: (613) 765-4236  
fax: (613) 763-2008

## **Bell-Northern Research Ltd. Corporate Communications**

16, Place du Commerce  
Ile-des-Soeurs  
Verdun (Québec)  
H3E 1H6  
tel: (514) 765-7994  
fax: (514) 761-8512

## **BNR Inc.**

**Corporate Communications**  
35 Davis Drive  
Research Triangle Park  
North Carolina  
27709-3478  
tel: (919) 991-7745  
fax: (919) 991-8404

## **BNR Inc.**

**Corporate Communications**  
2201 Lakeside Boulevard  
Richardson, Texas  
75082-4399  
tel: (214) 684-7978  
fax: (214) 684-3730

## **BNR Europe Limited**

**Corporate Communications**  
London Road  
Harlow, Essex  
CM17 9NA  
United Kingdom  
tel: (44) 1-279-403272  
fax: (44) 1-279-403727

## **Other**

### **Bimcor**

181 Bay Street  
Suite 4700  
Toronto, Ontario  
M5J 2T3  
tel: (416) 861-8000  
fax: (416) 865-1686

### **BCE Ventures**

1000, rue de La Gauchetière O.  
Bureau 3400  
Montréal (Québec)  
H3B 4Y7  
tel: (514) 397-7171  
fax: (514) 397-7392





#### *1995 annual meeting*

*The annual meeting of BCE shareholders will take place at 10:30 a.m., Wednesday, May 3, 1995, at the Imperial Theatre, 24 King Square South, Saint John, New Brunswick.*



This annual report is printed with vegetable-based ink on paper containing recycled material including at least 10% of post-consumer waste. The paper is recyclable and the glue used in the binding is recoverable.



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Montréal (Québec)

If you wish to receive BCE's 1994 annual report and corporate review on CD-ROM, please contact:

BCE Corporate Communications  
1000, rue de La Gauchetière Ouest  
Bureau 3700  
Montréal (Québec)  
H3B 4X7

Tel.: (514) 397-7056  
Fax: (514) 397-7157





BCE is a proud participant in "Partners in Growth", a program initiated by St. Joseph Printing in cooperation with Scouts Canada and the Ontario Ministry of Natural Resources.

To renew resources, St. Joseph Printing will, on our behalf, plant 510 trees, equivalent to three trees for every ton of paper used in producing this annual report.